

# European Communities

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EUROPEAN PARLIAMENT

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20 October 1976

DOCUMENT 363/76/ANNEX I

OPINIONS

on the draft general budget  
of the European Communities  
for the financial year 1977 (Doc. 291/76)



PE 45.678/Annex I

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OPINION OF THE POLITICAL AFFAIRS COMMITTEE

Draftsman: Mr W.J. SCHUIJT

At its meeting of 23 September 1976 the Political Affairs Committee appointed Mr Schuijt draftsman.

At the same meeting it undertook a preliminary examination of the draft opinion which it subsequently adopted unanimously at its meeting of 18 October.

Present: Mr Radoux, vice-chairman and acting chairman; Mr Schuijt, draftsman; Mr Achenbach, Mr Amadei, Mr Behrendt, Mr A. Bertrand, Lord Castle, Mr Covelli, Mr Faure, Mr Jahn, Sir Peter Kirk, Mr Klepsch, Mr Mitchell, Lord Reay, Mr Scott-Hopkins, Mr Schwabe (deputizing for Mr Patijn), Mr Seefeld and Mr Zagari.

Preliminary remarks

Since the reorganization of the parliamentary committees, the Political Affairs Committee's terms of reference have included information and cultural affairs, formerly the responsibility of the Committee on Cultural Affairs and Youth.

It should be noted, however, that not all the activities in the information field shown in the preliminary draft budget fall within our committee's terms of reference; the dissemination of information to young people is the province of the Committee on Social Affairs, Employment and Education.

Thus the whole sector of information cannot be dealt with by one single committee, which makes it difficult to obtain an overall view of this area of activity.

The Political Affairs Committee hopes that in future steps will be taken - without altering the terms of reference of the committees as laid down by the Bureau of Parliament - to ensure that parliamentary control over the Commission's information policy as a whole can be exercised by a single committee - namely the Political Affairs Committee. It should still be possible for the Committee on Social Affairs to deal with specific sectoral activities connected with young people.

In the cultural field the Political Affairs Committee has sole responsibility, as this area is separate from the field of education which is the province of the Committee on Social Affairs, Employment and Education.

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1. Information policy

- Expenditure on the dissemination of information and on participation in public events - Art. 272 (Items 2720, 2721 and 2729)

Article 272 comprises three items, including Item 2720 'Expenditure on the dissemination of information and on participation in public events' and Item 2721 'Participation of the Communities in international exhibitions'. A third item, 2729, has been added for 'information projects relating to direct elections to the European Parliament'.

In the preliminary draft budget the Commission of the European Communities requested an appropriation of 6,380,000 u.a., broken down as follows:

- Item 2720: 5,980,000 u.a.
- Item 2721: token entry
- Item 2729: 400,000 u.a.

The Council reduced this amount to 6,200,000 u.a., broken down as follows:

- Item 2720: 5,800,000 u.a.
- Item 2721: token entry
- Item 2729: 400,000 u.a.

The Political Affairs Committee naturally devoted particular attention to the information projects relating to direct elections to the European Parliament. It noted that when the Commission drew up its preliminary draft budget and entered an appropriation of 400,000 u.a. under the new item 2729, it was working on the basis of an approximate estimate by the information offices in the various capitals at a time when the Council had not yet taken a final decision; for the same reasons the various European movements were not then able to provide a realistic assessment of the extent of their commitments and the preparations they would need to make for the elections.

In view of the fact that at the meeting of the Council of Foreign Ministers on 20 September 1976, the acts relating to the direct election of the European Parliament (due to take place in May or June 1978) were finally adopted, the Political Affairs Committee considers it necessary to enter sufficient appropriations for effective action on a substantial scale to make public opinion aware of the importance of direct elections.

On the basis of the information given by Mr Scarascia Mugnozza, Vice-President of the Commission with responsibility in this matter, at its meeting of 18 October 1976, the Political Affairs Committee unanimously agreed that, while it has still to be worked out in detail, a sufficiently wide-ranging information programme would require for its implementation an appropriation of at least 1,000,000 u.a. It accordingly decided to request that the sum entered in Item 2729 be increased by 600,000 u.a. and that the resulting total appropriation of 1,000,000 u.a. be frozen by Parliament and thus withheld from the Commission. The Commission should then submit by 1 March 1977 at the latest a detailed information programme to the Political Affairs Committee, which will decide on the unfreezing of the appropriations allocated, where appropriate.

An amendment has been tabled to this effect.

The Political Affairs Committee insists in particular that the information programme to be submitted to it by the Commission should be such as to lend itself to close coordination with the programme which Parliament itself will have to implement.

Having regard to its new terms of reference, the Political Affairs Committee will shortly be giving thorough consideration to the content and structure of the Commission's overall information policy. It intends to keep the implementation of this policy under constant review and to obtain all relevant information from the responsible Member of the Commission; it should then be in a position to recommend any possible ways of improving it.

## 2. Cultural projects - Article 393

In its preliminary draft budget the Commission entered an appropriation of 100,000 u.a. for expenditure on cultural projects.

This appropriation was provided as a result of the European Parliament resolution of 13 May 1974 on the protection of the Community's architectural heritage, and the resolution of 8 March 1976 (Doc. 542/75) on Community action in the cultural sector.

The Commission, acting on the suggestions put forward by the European Parliament in these two resolutions, intended to use these appropriations for two priority cultural projects: cultural preparation for European Union and the protection of the architectural heritage.

In the draft budget the Council has made a token entry for this purpose.

The Political Affairs Committee felt that the appropriations requested by the Commission should be reinstated, agreeing with the Commission that there is a need for these projects, in particular the cultural preparation for European Union.

Our committee therefore considers that this appropriation should be reinstated in the 1977 budget since, although it is only a small amount, it constitutes a basis for further action in the future in the two areas specified by the Commission.

An amendment has been tabled to this effect.

DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES  
FOR 1977

PRELIMINARY DRAFT AMENDMENT

tabled by Mr SCHUIJT on behalf of the Political Affairs Committee

SECTION III - COMMISSION

(A) Expenditure

Title 2 - Chapter 27 - Article 272

Item 2729 - Information projects relating to direct elections  
to the European Parliament

Amend as follows:

Increase these appropriations by 600,000 u.a.

The sum total of 1,000,000 u.a. is frozen until the European Parliament has approved the detailed programme of measures which the Commission of the European Communities intends to implement.

(B) Increase revenue accordingly.

(C) Remarks

Measures taken by the Commission of the European Communities to make the general public aware of the importance of direct elections to the European Parliament can be approved only if a reasonably substantial sum is placed at its disposal. Consequently, the Political Affairs Committee requests that a total appropriation of 1,000,000 u.a. be entered in the above Item on the understanding that the Commission will be able to draw on this sum only after Parliament has endorsed a detailed programme of action which the Commission has undertaken to submit to the Committee by 1 March 1977 at the latest.

COMMITTEE ON BUDGETS

DRAFT GENERAL BUDGET OF THE EUROPEAN COMMUNITIES FOR 1977

PRELIMINARY DRAFT AMENDMENT

tabled by Mr SCHUIJT on behalf of the Political Affairs Committee

SECTION III - COMMISSION

(A) Expenditure

Title 3 - Chapter 39 - Article 393 -

Expenditure on cultural projects

- To be amended as follows:

Reinstate the appropriation of 100,000 u.a. under this article.

(C) Remarks

These appropriations are to be used for the implementation of two priority projects, namely:

- cultural preparation for European Union
- protection of the architectural heritage.

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JUSTIFICATION

The Commission of the Communities, in the preliminary draft budget, proposed entering an appropriation of 100,000 u.a. under Art. 393 ('expenditure on cultural projects').

The Council made a token entry under this heading.

The Political Affairs Committee considers that the appropriation proposed by the Commission should be reinstated.

OPINION OF THE COMMITTEE ON AGRICULTURE

Draftsman: Mr J GIBBONS

On 5 July 1976 the Committee on Agriculture appointed Mr Gibbons draftsman.

It considered the draft opinion at its meetings of 30 September/1 October and 13 October 1976 and at the latter meeting adopted it by 13 votes, with one abstention.

Present: Mr Houdet, chairman; Mr Laban and Mr Liogier, vice-chairmen; Mr Gibbons, draftsman; Mr Bourdellès, Mrs Dunwoody, Mr Früh, Mr Haase, Mr Kofoed, Mr de Koning, Mr Martens, Mr Premoli, Lord St. Oswald and Lord Walston

## Introduction

1. The agricultural budget for 1977 has been difficult to establish. The adverse climatic conditions have introduced a greater degree of uncertainty than normal as to the size of harvests. The intensity of the drought resulted in the July estimates of expenditure for 1977 being revised sharply downwards in the major sectors : milk, beef, cereals and sugar.

Consequently, provisional figures were entered for each market sector in the draft budget adopted by the Council, and a corrective letter was issued on 27 September 1976.

2. It is not unusual for corrective letters to be issued for agricultural estimates. It is unprecedented, however, for such a corrective letter to revise estimates so strongly downwards. This is in itself a telling indication of the degree to which the drought has hit Community agriculture.

### 1. GENERAL COMMENTS

3. The adverse economic climate and the consequent spirit of retrenchment has meant that, for the third year running, the Commission has presented an austerity budget which, in the main, restricts development of new policies.

Credits for the Guarantee Section for 1977 have been marginally increased, compared with 1976, from 5,452,270,000 u.a. to 5,646,900,000 u.a.<sup>1</sup> Excluding expenditure due to the currency instability and taking into account contributions from levies, estimated net expenditure on the Guarantee Section is to be decreased from 4,313,529,000 u.a. to 3,821,500,000 u.a.

If one takes into account average rates in inflation of 10%, a sharp decrease in real terms of net expenditure on agriculture in the Community is proposed in the 1977 Budget.

4. Within the general conclusion that this proposed budget represents a mere maintenance of the status quo, there are, however, certain comments to be made.

5. A fundamental change in the market organization of the wine sector has led :

- to a decrease in credits entered in the Guarantee Section from 151,100,000 u.a. to 124,000,000 u.a., a figure comparable to expenditure in 1975;

<sup>1</sup> excluding expenditure due to double rates of exchange

- and an entry of 8 m.u.a. in the Guidance Section for measures to reduce structural surpluses and the cost of maintaining market stability : uprooting measures<sup>1</sup> have been introduced for a three-year period.

6. This is a clear example of the direction in which the CAP should be going : greater efforts to tackle the causes of the market instability (through a greater emphasis on the Guidance Section) rather than ad hoc patching up operations by price mechanisms.

7. The second major change is the introduction of a number of new credit entries in the Guidance Section for proposals before the Council of Ministers, and in particular :

8200	groups of producers and their associations	500,000
8202	marketing and processing of agricultural products	8,000,000
8302	conversion in inshore fishing	5,000,000

8. These proposals will complete the programme of common measures laid down in the Council Resolution of 25 May 1971.

By 1980 at the latest, according to the Commission, these common measures, together with particular measures, will absorb all the appropriations annually entered under the Guidance Section. Individual projects at that time will come to an end; this year a substantial reduction has taken place in appropriations for individual projects, from 141,200,000 u.a. in 1976 to 82,900,000 u.a. in 1977.

This indicates that a degree of progress is being made in replacing national criteria by Community criteria for the granting of aid from the Guidance Section of the EAGGF. However, this progress is extremely limited and at times purely symbolic.

9. Twelve years after its presentation, the Mansholt Plan, in the limited final form agreed to by the Commission, has yet to be given shape in the budget, in terms of decisions made by the Council : regrettably, a number of proposals have remained on the table for a number of years.

In addition to the three proposals cited above, proposals for afforestation and aid to young farmers have yet to be adopted by the Council.

<sup>1</sup> Reg. No 1163/76 of 17.5.1976; O.J. No L 135, 24.5.1976, p. 34.

## Presentation of the Budget

10. The Commission, in its preliminary draft, made a very great effort to improve the presentation of the budget, so as to clarify true expenditure on agriculture, by :

- showing, in the preliminary draft budget, the net expenditure on the Guarantee Section of the EAGGF, i.e. deducting levies and the sugar contribution from expenditure on Titles 6 and 7;
- entering expenditure due to the double rates of exchange under Chapter 47 rather than Titles 6 and 7.

The Commission, therefore, went some way to meet the requests made in the past by the Committee on Agriculture that the essentially non-agricultural expenditure be separated from Titles 6 and 7.

Unfortunately, there still remained improvements to be made : monetary compensatory amounts were still included under Chapters 75 and 79. This expenditure is incurred for reasons of monetary instability and political expediency and similarly should be placed in Title 4. But even here progress was made, since these compensatory amounts were given at the end of Title 7, that is, after the figures which show the total expenditure on agriculture proper.

It is to be deeply regretted that the Council, in making a provisional decision on agricultural estimates in the draft budget, refused to follow the Commission in those proposals to improve the presentation of the agricultural budget. Such a refusal is incomprehensible. For example, purely accounting costs caused by double rates of exchange were displaced from Chapter 48 (a new Budget line expressly created for covering such costs) to Chapter 78 in the Guarantee Section of the EAGGF.

The sub-totals entered by the Commission (showing appropriations : for market organisations; market organisations less revenue from agriculture; and market organisations and monetary amounts) were deleted. One overall total was given. The utility of the Budget was reduced, and a false impression of the true cost of the Community's agricultural policy maintained.

11. The Commission once again entered a sum of 200 m.u.a. under non-allocated provisional appropriations (now Chapter 100) to cover the extra expenditure which will be incurred following revision of prices for the 1977/78 marketing year. Unfortunately, the Council did not admit the logic of this entry and, as in previous years, unwisely deleted this entry. This is unacceptable.

The budget should include all foreseeable expenditure and so avoid unnecessary supplementary budgets.

12. The Council's decision on the Guarantee Budget was a provisional one, awaiting more accurate harvest estimates. The Commission has decided, in its rectifying letter to return to its original presentation, that is, distinguishing agricultural from non-agricultural expenditure : placing expenditure caused by double rates of exchange in Chapter 48 and entering 200 m.u.a. in Chapter 100 to cover additional expenditure incurred by prices to be adopted for 1977/78. The Committee on Agriculture wholeheartedly supports the Commission in this decision to improve the clarity of the Budget.

#### Monetary instability

13. As in previous years, monetary compensatory amounts continue to inflate artificially the agricultural budget. The evolution in the rates at which units of account are converted into national currencies for agricultural purposes (mainly political decisions taken by national governments to protect the interests of consumers or farmers) is leading to increasingly heavy expenditure on monetary compensatory amounts. 582,000,000 u.a. have been entered for 1977 as against 610,700,000 u.a. for 1976<sup>1</sup>.

14. This figure is based on the hypothesis that during the following year the Commission will be coming forward with further measures to reduce the scope of monetary compensatory amounts, and that the present rates for sterling and lire will continue. The second hypothesis is an optimistic one which at this moment is proving incorrect. The first hypothesis depends on the political will of the Council to achieve some progress in this field and here again the Commission's views would appear to be over-optimistic.

The appropriations originally entered in the 1976 Budget were 260,700,000 u.a. This figure was increased to 610,700,000 u.a. in the second supplementary budget. It is probable that appropriations for 1977 will be later revised upwards, either in a supplementary budget or by transfers.

15. The heavy charge of monetary compensatory amounts, together with certain disturbances in trade, which result from a system established initially on a temporary basis, have been deplored on numerous occasions by the Committee on Agriculture.

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<sup>1</sup> After deducting expenditure due to double rates of exchange

This cost can be illustrated by the fact that a 1% addition in compensatory amounts for agricultural trade with a country such as Italy is equivalent to 25 m.u.a. per year.

At the same time, this Committee has recognised that compensatory amounts cannot be abolished overnight; their elimination depends upon common monetary and economic policies, which themselves require an effective regional policy.

On the other hand, it should be possible, by a series of pragmatic improvements and simplifications, to reduce the heavy burden of the system on the Community budget.

One can welcome the fact that in the past such savings have been made by pragmatic improvements to the methods for implementing monetary compensatory amounts.

The Committee on Agriculture repeats its call, made in its opinion on the second Supplementary Budget for 1976, for the Commission to come forward with further improvements to limit the cost of monetary compensatory amounts to the Community budget. A number of possibilities could be considered, as for example : increasing the margin up to which monetary compensatory amounts are not applied; a general reduction in the amounts of each monetary compensatory amount applied, either by a fixed number of points or a pre-established percentage.

The Commission should come forward with a communication on the possible mechanisms to reduce the cost of monetary compensatory amounts and the savings that would result.

There should be, in addition, a reduction in the number of products benefiting from monetary compensatory amounts : all too often monetary compensatory amounts are used as an instrument to give relief to a specialised market facing a temporary market imbalance. The list continues to grow; the reverse should be the case.

#### Denaturisation

16. For the first time the Commission has presented a budget in which no entries are made for denaturing premiums for cereals and sugar. A mere 0.1 m.u.a. remain for wheat denaturing premiums to cover past payments by Member States<sup>1</sup>.

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<sup>1</sup> 1.5 m.u.a. have been entered under item 6410 as an aid to bee-keepers.

The Committee on Agriculture has long insisted that denaturing premiums are unacceptable and therefore welcomes the fact that they have finally disappeared from the Community's budget.

### Transfers

17. Finally, the Committee on Agriculture wishes to underline its insistence<sup>1</sup> that the Commission inform immediately the European Parliament on all transfers between items and articles and consult the Parliament on transfers between Chapters, in pursuance of Articles 21 and 113 of the Financial Regulations<sup>2</sup>.

In 1975 and 1976, final appropriations differed from those entered in the adopted budget by 49% as 40% respectively. These enormous variations were largely due to transfers. A certain use of transfers can be accepted as necessary to maintain a degree of flexibility to meet variations in expenditure due to changing conditions. But transfers, particularly between Chapters, without Parliament being consulted, or even informed, is totally unacceptable, both in terms of maintaining the Budget as an instrument of policy and safeguarding the budgetary powers of the European Parliament.

## II. GUARANTEE SECTION

18. Estimates of expenditure in the Guarantee Section of the EAGGF have been sharply reduced from July forecasts as a result of the drought. Export refunds, in particular, for cereals and sugar have been considerably cut.

19. Appropriations for Chapter 60 to 75 (i.e. excluding monetary compensatory amounts) have been decreased from 5,224,570,000 to 5,064,900,000 u.a.

20. As in previous years, the milk and milk products sector take the lion's share - 2,000,000,000 u.a. (as against 1,930,070,000 in 1976). Even this represents a minimal figure, being conditional upon the Commission's action programme being implemented<sup>3</sup>; 221.5 m.u.a. have been entered under Chapter 100, Provisional Appropriations, to cover additional expenditure that will result if the Commission's proposals are not implemented.

The large number of other sectors show a decrease in appropriations from 1976.

<sup>1</sup> See opinion drawn up by Mr Kofoed on the Supplementary Budget No 2 for 1976, Doc. 293/76, pp. 29 and 30.

<sup>2</sup> O.J. No L 116, 1.5.1973. There is no mention in Article 113 regulating transfers in the EAGGF of a derogation from the basic article concerning transfers, Article 21, in regard to consultation of Parliament.

<sup>3</sup> Docs. 247/76 and 248/76

APPROPRIATIONS EAGGF GUARANTEE SECTION FOR 1977

<u>CHAPTER</u>	<u>1977</u>	<u>1976</u>
60 - Cereals	759,000,000	691,800,000
61 - Rice	29,000,000	30,000,000
62 - Milk and milk products	2,000,000,000 (2,221,500,000) <sup>1</sup>	1,930,070,000
63 - Oils and fats	408,500,000	441,800,000
64 - Sugar	321,500,000	270,400,000
65 - Beef and veal	609,000,000	750,400,000
66 - Pigmeat	80,000,000	50,000,000
67 - Eggs and poultrymeat	25,000,000	20,000,000
68 - Fruit and vegetables	126,500,000	172,800,000
69 - Wine	124,000,000	151,100,000
70 - Tobacco	206,400,000	208,300,000
71 - Fisheries	10,000,000	8,000,000
72 - Alcohol	10,000,000	token entry
73 - Other sectors	58,000,000	67,900,000
74 - Refunds on processed goods	48,000,000	40,000,000
75 - Accession monetary compensatory amounts	250,000,000	392,000,000
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	5,064,900,000	5,224,570,000
Less agricultural revenue (levies and sugar contribution)	- 1,243,400,000	- 911,041,000
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	3,821,500,000	4,313,529,000
78 - Monetary compensatory amounts	582,000,000	610,700,000
- Expenditure resulting from application of different exchange rates		- 377,000,000
<b>TITLES 6 &amp; 7 - TOTALS</b>	<hr/> <b>5,646,900,000</b>	<hr/> <b>5,452,270,000</b>
47 - Expenditure resulting from application of different exchange rates	532,000,000	
100 - Provisional appropriations	( 221,500,000 ( 28,000,000 ( 200,000,000	

Dairy sector

21. As in previous years the milk and dairy products sector takes by far the largest proportion of expenditure in the Guarantee Section : 2,000 m.u.a. as against 1,941 m.u.a. in 1976. This is based on the assumption that the Council will adopt the Commission's action programme for the milk sector. If not, an additional 221.5 m.u.a.<sup>2</sup> will be required, and has been entered under Chapter 100, Provisional Appropriations.

<sup>1</sup> Including 221,5 m.u.a. entered under Chapter 100, Provisional Appropriations, to cover additional expenditure in the case that the Commission's proposals to achieve greater market equilibrium in the milk sector are not adopted.

<sup>2</sup> Due to the drought the original estimate of an additional 800 m.u.a. has been cut by half.

The Commission proposes that an attempt be made to limit the amount of milk delivered to dairies and to encourage the conversion of dairy herds to beef production; and that these measures be accompanied by a production levy to be used to finance schemes to reduce surpluses, such as publicity campaigns.

It is not possible, however, to reduce expenditure in this sector without a fundamental change in the organisation of the market. Such a reduction would amount to penalisation of the producer, and simple penalisation will not be politically acceptable or have any practical effect.

It is evident that expenditure in the Guarantee Section can only be established if the basic problems facing each particular sector are tackled and structural measures are implemented through the Guidance Section. The wine sector is a clear illustration.

22. Of the Commission's proposals, the premium is far more likely to bring about a better balance between supply and demand, since for the smaller farmer no other form of production is feasible and no alternative employment exists in many rural areas. If effective Community social and regional policies existed, the scope of possible action would be far wider.

The levy is a short-term measure that will do nothing to tackle the basic problems facing this sector; and in the form in which it is presently concerned its chances of being implemented are very slim : when producers are called upon to implement a financial responsibility for surpluses, they must be given at the same time greater responsibility for market policy.

In particular, the financial contributions required of producers must be allocated to finance long-term policies to reduce the problems due to market disequilibrium in the milk sector.

The Commission proposes that these funds should merely be placed in the agricultural budget to reduce total net appropriations required, and so achieve a cosmetic effect useful to the Commission in the face of criticisms of over-expenditure on agriculture.

However, to achieve any lasting effect and to encourage a collective sense of responsibility, an equivalent sum to that collected under the levy should be used to set up a fund (to which the Dairy Trade should contribute) whose main purpose would be to implement measures and particularly promotion campaigns and measures to improve the market of milk and milk products.

23. Your draftsman would wish to stress, furthermore, that the suspension of all aids to the milk sector would be detrimental to the development of an efficient dairy sector, particularly when such aids represent the only source of new investment for a number of regions. Aid for the development of modern plants, collection systems and marketing, in particular, should be exempt from such a ban. It is far more important to harmonise aids than to implement a total ban.

24. Despite the effects of the drought, milk production will increase slightly upon previous years. Consequently, export refunds show an increase from 752 m.u.a. to 810 m.u.a., a figure which includes an additional 50 m.u.a. for food aid programmes.

25. Intervention for skimmed milk shows a slight increase upon appropriations originally entered for 1976, but a significant increase upon final appropriations resulting from the second Supplementary Budget. Appropriations were reduced by that supplementary budget following measures for the compulsory incorporation of skimmed milk powder in feedingstuffs. A figure of 304 m.u.a. has been entered to cover measures in 1977 to further reduce stocks by 400,000 tonnes, since stocks have continued to grow. The measures adopted will be the classic subsidised sales of skimmed milk powder for pigs and poultry, which are considerably more expensive than the compulsory incorporation in feedingstuffs adopted this year.

26. It should be noted that despite the drought, butter stocks are likely to remain significantly above the Commission's desirable stock level of 125,000/175,000 tonnes. Therefore, it would appear logical to continue with the butter consumption subsidies and subsidies for consumption by special social groups.

27. Your draftsman would request, furthermore, the Commission to examine means of encouraging milk production based on grasslands rather than concentrates : cheap imported proteins are one of the principal causes of the present milk surplus.

#### Cereals

28. Appropriations entered for the cereals are based on the following assumptions :

- that the production for 1977/78 will be reduced due to the droughts, with an estimated harvest of 93,000,000 tonnes as compared to 97,000,000 tonnes for the previous year;

- that there will be a strong quantitative deficit for maize, oats and barley, but not for other cereals;
- that stocks will be normal for all crops except durum wheat which, at a level of 800,000 tonnes, will exceed normal stock requirements;
- that for soft wheat a reference price rather than an intervention price will be applied<sup>1</sup>;
- that the system for granting aid to durum wheat to encourage an increase in quality is approved<sup>1</sup>;
- and that prices for 1977/78 will remain the same as for those for 1976/77.

29. In July of this year, it had been expected that appropriations for cereals in the 1977 Budget would show a sharp increase over those for 1976. As a result of the drought, however, original estimates have been revised downwards, and now show only a modest increase over 1976, 759 m.u.a. as against 691.8 m.u.a.

30. The appropriations to be entered must cover, of course, two harvest years, 1976/77 and 1977/78, so that the Commission, in calculating probable expenditure, works on the basis of a normal harvest for 1977/78.

Moreover, the Commission is working on the basis of constant prices. The new policy for 1977/78 will have an impact on expenditure, but not only as an increase : in the case of cereals, an increase in prices will lead to a decrease in expenditure, particularly for storage.

The low level of expenditure on storage in previous years has been due principally to price increases agreed to.

Consequently, a price increase agreed to in the spring should lead to a decrease in expenditure.

31. The greater part of the increase in appropriations on cereals is entered under export refunds and food aid refunds (items 6000 and 6001). This reflects the fact that despite the drought, a positive balance will remain to be exported for soft wheat and to a lesser extent barley (half in the form of malt). Given the world record wheat harvest, and a normal 1977/78 Community harvest, export refunds will be greater in 1977/78 than at present.

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<sup>1</sup> Reg. No 1143/76, O.J. No L 130, 19.5.1976, p. 1.

32. Appropriations for intervention show a very modest increase, 301 m.u.a. for 1977 as against 300 for 1976. This is a reflection both of the effects of the drought and the improvements introduced in the market organisation for soft and durum wheat. The decrease in estimated expenditure for durum wheat would have been greater if stocks, at 800,000 tonnes, had not been greater than the normal requirement of 500,000 tonnes. This is partly, however, a qualitative rather than a quantitative problem which is the purpose of the new system of granting aid to tackle.

#### Beef and veal

33. Appropriations entered in the beef and veal sector decrease from 750 m.u.a. in 1976 to 609 m.u.a. for 1977.

34. The premature slaughter of beef herds resulting from the drought will lead in the Commission's estimate to a shortfall in the winter of 500,000 tonnes. The result will be a reduction in intervention stocks (i.e. sales from intervention stocks will exceed buying-in). The corresponding loss in value to be absorbed is estimated at 185 m.u.a., together with 100 m.u.a. for technical costs (stocking charges, interest rates and transport). Consequently, a figure of 286 m.u.a. has been entered for public stocking, compared to 364 m.u.a. for 1976. Export refunds are to be reduced similarly, from 148 m.u.a. to 105 m.u.a.

Following the adoption of Regulation No 1500/76<sup>1</sup> to encourage private storage rather than intervention buying, and the exceptionally high level of slaughterings in 1976 due to the drought, private storage costs will increase from 62 m.u.a. to 80 m.u.a.

35. The Committee on Agriculture believes that in view of the high level of slaughterings, and the fact that market prices continue to be significantly below the guide price in a number of countries, measures to aid the purchase of beef and veal by persons receiving social welfare benefits should be continued, and appropriations of 30 m.u.a. should be entered under item 6520.

#### Fishing sector

36. Secondly, appropriations of 10 m.u.a. entered for the fishing sector seem too low given the present difficulties facing this sector. The import system is still not sufficient to ensure adequate producer prices with the result that

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<sup>1</sup> O.J. No L 167, 26.6.1976, p. 31.

significant increases in appropriations are required for withdrawal and private storage. For 1976 4 m.u.a. were entered, which proved to be insufficient, and were increased to 8 m.u.a. The Commission should examine these appropriations more closely to ensure that they correspond to the likely market situation.

### Wine

37. A most important change in the pattern of expenditure in the Guidance Section is the stabilisation of appropriations for the wine sector due to the new market organisation introduced. Credits have decreased from 151,100,000 u.a.<sup>1</sup> in 1976 to 124,000,000 u.a. for 1977.

8 m.u.a. have been entered in the Guidance Section (item 8350) to reduce structural surpluses of wine through the uprooting of vineyards.

However, these appropriations are lower than originally forecast, due to the fact, as is explained in greater detail below<sup>2</sup>, that there have been delays in implementing this measure.

### Sugar

38. The sugar sector is the only sector for which appropriations have risen sharply, from 270,400,000 u.a. to 321,500,000 u.a. This is due essentially to a decrease in world prices, leading to an increase in export refunds.

Production of sugar A + B is estimated at 9,525,000 tonnes and consumption at 9,500,000. Taking into account the guaranteed imports of 1,300,000 under the Sugar Agreement and excess stocks from the beginning of the present campaign, a possible balance for export of 995,000 tonnes remains<sup>3</sup>, together with 250,000 tonnes for the 1977/78 year which must be taken into account.

39. Without commenting, in the context of the discussion of the budget, on the level of guaranteed imports under the Sugar Agreement, your draftsman would like to point out the additional expenditure entailed.

40. Your draftsman would like to stress the importance of the Commission acting urgently to deal with the problem of artificial sugar, produced from maize. Already in the United States, this product is substituted on a substantial scale for sugar, and the medium term estimate of Community production

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<sup>1</sup> Originally 196,100,000 u.a. had been entered for 1976.

<sup>2</sup> See page 21.

<sup>3</sup> This may be over-estimated; the amount for export has been fixed provisionally at 500,000 tonnes.

is a million tonnes. Community production is accelerating so rapidly that even in 1977 it could have an impact on the EAGGF budget. The Commission must act immediately to place this product on the same competitive basis as beet sugar<sup>1</sup>.

#### Aid to beekeepers

41. The Committee on Agriculture, in a report drawn up by Mr Fröh<sup>2</sup>, rejected a Commission proposal to establish a Community to aid to bee-keeping on the grounds that conditions vary so greatly between Member States that it could serve no useful purpose. Consequently, the Commission has followed the Committee on Agriculture's request for a denaturing premium for sugar used for winter feeding. Consequently, 1.5 m.u.a. have been entered under item 6410.

#### Alcohol

42. Apart from the milk sector, there is only one sector for which appropriations have not been entered on the basis of existing regulations. 10 m.u.a. have been entered to finance a proposal for the alcohol sector, which has yet to be presented to the Council. It is highly unlikely that a decision on this sector will be made in 1977, and one can have doubts as to the necessity for this entry.

#### Other sectors

43. For the other sectors, the following points can be noted :

- that appropriations for olive oil are reduced from 321 m.u.a. to 301 m.u.a. and for oils and fats reduced from 441.8 m.u.a. to 408.5 m.u.a.
- that appropriations for pigmeat have been increased from 50 m.u.a. to 80 m.u.a., mainly to cover intervention in this strongly cyclical sector;
- that appropriations for eggs and poultrymeat continue to be increased, and the Committee on Agriculture reaffirms its belief that measures are required to rationalise production in this sector;
- that appropriations for fruit and vegetables have been reduced from their exceptionally high level of 172.8 m.u.a. in 1976 to 126.5 m.u.a.;

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<sup>1</sup> The Council has already decided that maize for industrial uses can no longer benefit from production aids if employed for making glucose syrups with a high fructose content.

<sup>2</sup> Doc. 64/76

- and that appropriations for tobacco have declined slightly from 208.3 m.u.a. to 204 m.u.a.; this Committee reminds the Commission that measures are required to encourage growers to produce more directly for the market<sup>1</sup>.

#### New Items

44. A number of new budget lines have been introduced.

45. Items 6340 and 6341 (aid for cotton seed and soya seed) have been grouped together with a new measure, aid for linseed<sup>2</sup> (6342), to form a new article 634.

46. Two new articles, 735 and 736, have been introduced to allow appropriations for two proposals under consideration by the Council to be entered : for new organisations of the markets for potatoes and sheepmeat.

### III. GUIDANCE SECTION

47. 1977 is the first year in which appropriations entered under individual projects, Chapter 80, do not appear as the largest item entered in the Guidance Section :

<u>Chapter</u>	<u>Heading</u>	<u>1976</u>	<u>1977</u>
80	Individual projects	141,200,000	88,400,000
81	Joint structural schemes	91,000,000	98,300,000
82	Joint schemes, marketing and processing	1,500,000	81,000,000
83	Joint schemes, particular sectors	71,300,000	29,500,000
89	Special measures	20,000,000	15,000,000

This would seem to show that progress is finally being made in establishing a structural policy based on Community rather than national criteria.

48. This note of optimism must be muted, however, when taking two factors into consideration :

- (a) it is unlikely that it will be possible to use all the appropriations entered, particularly as a number of common schemes have yet to be adopted by the Council;
- (b) the joint schemes for structural reform have yet to enter fully into operation.

<sup>1</sup> See report drawn up by Mr de Koning on the 1976/77 price proposals, Doc. 552/75

<sup>2</sup> 5.5 m.u.a. have been entered to cover expenditure on Reg. No 569/76, O.J. No L 67, 15.3.1976, p. 29.

Of the 91,000,000 u.a. entered under Joint Structural Schemes, by far the greater part, 74,300,000 is devoted to the mountain and less-favoured regions, while a mere 24,000,000 u.a. is devoted to the three Reform directives adopted in April 1972. This is not to deny the importance of measures for the mountainous and less-favoured regions; action is essential to deal with the particular problems of these areas. The present inadequacy of the reforms directives, however, is a matter of constant concern.

In previous years, the rate of use of appropriations entered for special measures was less than 50%, reflecting the limited number of requests made by Member States. Until such time as the Member States implement decisions taken in the Council and cease to be excessively restrictive in screening applications, there is little point in increasing appropriations for structural schemes, and little hope for an effective Community structural policy.

Commitment and payment appropriations

49. For the first time, the distinction between commitment and payment appropriations has been generalised in the Guidance Section. For 1977, appropriations are broken down as follows :

<u>Commitment appropriations</u>	<u>Payment appropriations</u>	
	<u>1977</u>	<u>1978</u>
325,000,000	162,800,000	31,000,000
	<u>1979 and subs. years</u>	
	136,200,000	

50. This is a clear improvement in the clarity of the presentation of the budget and for the possibility of budgetary control. Its use reflects the long-term nature of the financing of many of the projects.

Payment appropriations represent the ceiling of authorised expenditure, authorised or paid during each financial year to cover commitments entered into during current or preceding years.

Commitment appropriations are intended to allow for the fulfilment of legal obligations for projects requiring more than one year to execute, and represent, therefore, a ceiling up to which projects can be accepted and for which the aid will be paid in future years. Commitment appropriations not used before the end of the financial year can be made available for the following financial year, and can be extended to the next financial year, after consulting the European Parliament and a qualified majority decision by the Council.

51. Several years can pass, especially for individual projects, between the time of approval of an application and the time when proof of work is submitted and payment made. Therefore, it seems logical to your draftsman that the budget should make a distinction between payments made in the coming financial year, normally for applications already approved, and payments for subsequent years, usually for applications to be considered.

52. The distinction made between payment and commitment appropriations brings out clearly the difference in the degree of control by the Commission over projected schemes financed by the Guidance Section of the EAGGF.

53. For individual projects under Regulation 17/64, for the joint schemes on the marketing and processing of agricultural produce and for certain joint schemes in particular sectors (which will replace individual projects) decisions are made by the Commission on applications transmitted by Member States. The Commission can finance projects up to the limit of appropriations available; therefore commitment appropriations are entered.

54. In the case of the reform directives 72/159/EEC, 72/160/EEC and 72/161/EEC, the Commission makes no decision and simply reimburses expenditure made by Member States. Therefore, no commitment appropriations are entered, and the figures given in the budget represent estimates, possibly exaggerated, made by the Member States themselves of their likely expenditure on these schemes<sup>1</sup>.

Delays in the implementation of measures

55. The delays in the implementation of structural reform measures by Member States have been considerable. Expenditure in a number of cases has been minimal and appropriations entered each year have been continually reduced to reflect this fact. If we take the example of the most important structural measures, the reform directives 159, 160 and 161 of 1972, the figures are both striking and depressing :

	Commitments as of 31.12.1975	Appropriations	
		1976	1977
Dir. 159/72 modernisation of farms	1,416,326 u.a.	29,000,000	18,800,000 u.a.
Dir. 160/72 cessation of farming	7,553 u.a.	6,000,000	1,400,000 u.a.
Dir. 161/72 socio-economic guidance	589,995 u.a.	6,000,000	3,800,000 u.a.

<sup>1</sup> This is the first year estimates made by Member States have been used, in an attempt to arrive at more accurate figures than in previous years.

56. This situation inspires the following reflection : that the aid accorded is too low, and the amounts required of beneficiaries and Member States too high. The result is that national administrations are not encouraged to participate. If this is so, it is probable that proposals currently under consideration, and in particular those covering marketing, afforestation, aid to young farmers and inshore fishing, will achieve a similar lack of success. In this respect the Commission's proposal to increase amounts granted to take into account inflation is to be commended.

57. The frailty of the Community's structural policy is underlined by the very large number of proposals on which the Council is unwilling to reach a decision:

<u>Item</u>	<u>Heading</u>	<u>Appropriations</u>	
		Payment	Commitment
8104	Afforestation	-	-
8105	Aid to young farmers	-	-
8200	Producer groups	500,000	-
8202	Marketing and processing	8,000,000	72,000,000
8302	Inshore fishing	5,000,000	10,000,000

A total of 13,500,000 u.a. has been entered for payment, and a further 82,000,000 u.a. for commitment. One must have serious doubts as to whether a significant proportion of these appropriations will be converted into reality.

If this should prove to be correct, it would appear that the time has come for the Commission to review the present ratios between amounts granted by the Guidance Section and those required of beneficiaries and Member States.

In addition, the Council has yet to reach a decision on the proposal, approved by the European Parliament<sup>1</sup>, to increase the amounts granted under these directives to take into account inflation. The Council must adopt this proposal in the near future.

#### Community and National Structural Policies

58. 157,800,000 u.a. have been entered for payment from the Guidance Section for 1977, with a further 275 m.u.a. for payment for previous years. Actual payments will probably be less. This figure contrasts with the figure of 9,000 m.u.a. spent annually by national governments outside the Community framework.

The Common Actions and Measures in the Guidance Section of the EAGGF were drawn up so as to establish Community objectives and criteria for structural reform. Yet the pittance which is distributed can do nothing at all to direct structures in face of the tidal waves of national grants which flow in divergent directions and often in direct contradiction to the objectives of the Community's structural policy.

<sup>1</sup> Report drawn up by Lord Walston (Doc. 204/76).

59. This highlights an inherent contradiction in the Common Agricultural Policy, that price support is financed by the Community through the Guarantee Section of the EAGGF, while structural policy which, in the long term, determines expenditure required to maintain prices, remains the domain of national governments.

Until such time as an effective Community structural policy is established, there can be no hope :

- (a) of any real adjustment in the pattern of expenditure from the Guarantee Section;
- (b) or of avoiding the crises which face particular sectors, resulting either in uncontrolled slumps in prices, as in the fishing sector, or punitive measures to reduce producer incomes, as presently in the milk sector.

#### Individual projects

60. The payment appropriations entered for individual projects under Regulation 17/64 are very low in relation to commitment appropriations : 4,000,000 u.a.<sup>1</sup> as against 84,400,000 u.a. This is mainly due to the 2-3 year time lag between approving and paying out on projects submitted. The European Parliament, on numerous occasions, has requested the Commission to rectify excessive delays in examining applications.

61. Your draftsman would like to draw the attention of the Parliament to the Commission's proposal to block all schemes relating to the milk sector for three years. The Commission must reconsider. A large number of applications in the milk sector are concerned with the fulfilment of rationalisation schemes in progress, particularly for milk collection, distribution, and butter and cheese factories. Any decision to block applications for such projects, which do not increase production and help to increase consumption, would be ill-considered and should be reversed at once.

62. Expenditure on individual projects is likely to exceed considerably appropriations entered. Expenditure on common measures and schemes will be less than appropriations entered; the balance will be used for individual projects. For example, in 1975 145,140,000 u.a. were entered under Article 800 and 212,600,000 u.a. were used to finance applications.

63. Your draftsman would wish to propose that, in order to balance the disproportionate expenditure by the Community and Member States on structural policy, and taking into account the long delays in making common measures

<sup>1</sup> This figure represents aid to applicants who have proceeded with projects before receiving final approval.

effective, appropriations for individual projects, which meet Community requirements, be increased.

Each year, the number of individual projects financed represents only a limited proportion of applications made. For example, in 1973 total demands were equivalent to 536 m.u.a., together with 150 m.u.a. from the previous year which it had not been able to finance; 170 m.u.a. were entered in the budget.

64. The appropriations for individual projects could be increased in two ways :

- (a) increase, or abolish, the ceiling on annual appropriations entered in the Guidance Section from its present level of 325 m.u.a.;
- (b) modify the regulations by which, for the years 1969 to 1975, appropriations amounting to 529,841,979 have been set aside once appropriations for commitment for joint schemes exceed the annual allocation of 325 m.u.a. This reserve fund has been reduced by inflation, and though the Commission believes that it will be exhausted by 1980, it is difficult to have confidence in the willingness of the Council to accelerate the rate at which proposals currently before it are adopted.

65. The Committee on Agriculture calls upon the Commission to come forward with a proposal to increase the ceiling of the Guidance Section of the EAGGF; and, awaiting a decision by the Council on this politically difficult step, that an additional 50 m.u.a. be transferred annually from the reserve fund to Article 800, and article 6(4) of Regulation 729/70 be amended correspondingly.

#### Wine premium

66. A new item (8350) has been entered in the Guidance Section for a conversion premium in the wine sector, to reduce the structural surplus in wine and the cost to the EAGGF of stabilising the market, through a graduated scale of premiums for the grubbing up of vines over a period of three years.

Regulation 1163/76 of 17 May 1976<sup>1</sup> estimated that the total cost of this measure would be 78 m.u.a. over three years. The Commission's proposal<sup>2</sup> established the estimated rate of expenditure as follows :

<u>1977</u>	<u>1978</u>	<u>1979</u>
37 m.u.a.	28 m.u.a.	20 m.u.a.

<sup>1</sup> O.J. No L 135, 24.5.1976, p. 34

<sup>2</sup> Doc. 333/75

67. The Council, therefore, reduced the estimated cost from 85 to 78 m.u.a.

68. In the draft budget, however, one finds that only 8 m.u.a. have been entered for 1977, a very substantial fall from the 37 m.u.a. originally envisaged.

This is due to two factors :

- (a) delays by the Council in adopting the regulation;
- (b) the date for submission of applications for 1977 will be altered from 1 September to 1 November 1976<sup>1</sup>, due to difficulties in drawing up the implementing regulation<sup>2</sup>.

The original estimates have been reduced so as to correspond to the much shorter time available for the administrative procedures to be fulfilled. This will not modify, of course, the total amount of aid granted over the three years by the EAGGF.

#### Hydrological measures

69. Finally, the Committee on Agriculture invites the Commission to come forward with proposals for measures to improve hydrological structures in rural areas, so as to limit the damage caused by future catastrophic climatic conditions<sup>3</sup>. Aid is already given in the framework of Regulation 17/64, individual projects, but would be far more effective if granted in regional improvement plans. A new budget line should be entered as item 1806, hydrological improvement in rural areas.

#### IV. CONCLUSIONS

70. The draft agricultural budget for 1977 is marked by four main factors :

- (a) the continuing spirit of austerity;
- (b) the drought which has reduced appropriations for almost all the major sectors;
- (c) heavy expenditure caused by monetary instability;
- (d) and the continuing refusal of the Council to implement an effective and realistic structural policy.

The spirit of austerity has meant that no new policy actions are considered, or have recently been adopted, except for those which lead to a reduction in expenditure (milk, cereals and wine).

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<sup>1</sup> Doc. 250/76, Commission proposal yet to be adopted by the Council.

<sup>2</sup> Reg. 2034/76, O.J. No L 226, 18.8.1976, p. 10.

<sup>3</sup> Doc. 223/76, report drawn up by Mr Liogier.

71. The drought of the past year has illustrated the degree to which reserve stocks are necessary to ensure supplies to consumers. A reserve is not necessarily a mountain, and while fluctuations in production may lead at certain moments to larger stocks than normally required, sufficient reserves are essential.

72. The impact of the drought on the Community's agricultural budget, a reduction of 195,100,000 u.a. on estimates made in June, is a striking illustration of the impact of the drought on European agriculture. In such conditions, farmers must be given a breathing space before consideration is given to any measures to restore market balance which could effect agriculture incomes.

73. Any measure to be adopted in the near future should be concentrated in the Guidance Section of the EAGGF in the form of premiums to encourage the non-marketing of surplus produce and the cessation of farming by older farmers.

At the same time, while it is logical to restrict aids which could lead to an increase in production, those aids which lead to more efficient production and marketing should be exempted from any measures adopted.

74. It is far more important to harmonise aids granted by the Member States outside the framework of the EAGGF. 157.8 m.u.a. have been entered for the Guidance Section in 1977, making a total of 433.8 with payments from previous years. With more than 9,000 m.u.a. being spent by Member States, unacceptable distortions in competition and trade are being created.

The next step after harmonising national aids would be to reduce them and replace them by Community aids. But this can only be achieved if the Community's structural policy is made effective. The Council must adopt measures presently before it.

In the meantime, your draftsman believes that, given the unwillingness of the Council to adopt structural measures, that Regulation 729/70 be modified so as to allow for 50 m.u.a. to be transferred annually from the reserve fund to Article 800, individual projects.

75. The principal weakness of the Common Agricultural Policy is not that market mechanisms lead to surpluses, as is commonly proclaimed, but that no effective Community structural policy exists. As long as structural policy remains firmly in the hands of national administrations, repercussions on the

Guarantee Section of the EAGGF are inevitable. The responsibility lies firmly in the hands of the Council.

76. The drought has drawn attention to the need for Community aid to hydrological improvements to be strengthened and drawn up in the form of regional programmes rather than individual projects, as at present. The Commission should draw up common Community measures and enter a new budget line, 8106.

77. The Committee on Agriculture, in considering individual market organisations :

- calls for urgent measures to prevent the development of the production of artificial sugar increasing expenditure in the sugar sector;
- believes that it would be unwise to discontinue aid for the purchase of beef and veal by persons receiving social welfare; 30 m.u.a. should be entered under item 6520;
- urges measures to be drawn up to rationalise production in the egg and poultrymeat sector;
- reminds the Commission that measures are required to encourage growers of tobacco to cultivate those varieties for which there is a demand on the market;
- and notes the improved balance of expenditure in the wine sector between the Guarantee and Guidance Sections of the EAGGF.

78. Finally, the Committee on Agriculture repeats its request to the Commission to come forward with proposals to simplify measures adopted to minimise the effects of monetary instability.

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Note on the units of account and the EAGGF

The Community uses three units of account:

- the green unit of account<sup>1</sup>,
- the budgetary unit of account<sup>1</sup>,
- the European unit of account.

- (a) The so-called green unit of account is used for the implementation of the agricultural policy. What is involved in fact, is the representative exchange rates used when a price or an aid fixed by the Community (Council, or Commission by delegated authority) expressed in units of account is converted into the national currencies. These rates are fixed by the Council of Agricultural Ministers in such a way as to reflect the real value of the currency. The gap between a representative exchange rate and the market rate is covered by compensatory monetary amounts financed by the Guarantee Section of the EAGGF. This means that, if a representative rate is not modified when the value of a currency falls, the compensatory amount increases and, with it, the expenditure of the Guarantee Section. This machinery is used for all operations financed by the Guarantee Section and also the Guidance Section, except for grants awarded for individual structural improvement projects. In this case the decisions of the Commission are expressed in the national currency concerned and the Commission thereby promises a grant of x to an individual or a group towards the investment.
- (b) The budgetary unit of account is used for entering appropriations in the Community budget, for expenditure accounts and for the collection of contributions from the Member States. The value of the budgetary units of account in terms of the national currencies is based on the value of those currencies as officially declared to the International Monetary Fund.

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<sup>1</sup> The definition of the green and budgetary units of account is the same. It is expressed in terms of gold. But the equivalence of this unit of account in terms of the national currencies is different.

The existence of two units of account leads to differences in Community accounts; this is known as 'double rate' and will lead, starting with the 1977 budget, to separate accounts for the Guarantee Section.

For example, if a green unit of account for aid is worth 940 Lit in Italy, the Italian producer will receive 940 Lit, and the Italian government will declare 940 Lit to the EAGGF. But the Commission then has to convert this amount into budgetary units of account, i.e. 625 Lit for one unit of account. Thus, for accounting purposes, expenditure will be 1.5 budgetary units of account. As from 1977, one unit of account will be entered under appropriations for the agricultural sector and 0.5 units of account in the chapter 'double rates of exchange'.

- (c) The European unit of account is a weighted average of the national currencies, called , for this reason, the 'basket' unit of account. It was applied for the first time in the Community for operations under the EDF. It is intended to replace, from 1978 onwards, the budgetary unit of account. By its very nature, it will reflect the real monetary situation more closely than the budgetary unit of account and this might well modify the allocation of appropriations from 1978. This reform, which is to be finalized next year, does not provide for the immediate replacement of the green unit of account by the European unit of account, since this would lead to problems in the implementation of the common agricultural policy, which is to be subject of a subsequent thorough-going review.

OPINION OF THE COMMITTEE ON REGIONAL POLICY, REGIONAL PLANNING AND  
TRANSPORT

Draftsman: Mr A. FLETCHER

On 14 September 1976 the Committee on Regional Policy, Regional Planning and Transport appointed Mr Fletcher draftsman.

It considered the draft opinion at its meetings of 14 and 30 September 1976 and at the latter meeting adopted it unanimously.

Present: Mr Evans, chairman; Mr Nyborg, vice-chairman;  
Mr McDonald, vice-chairman; Mr Fletcher, draftsman; Mr Albers,  
Mr de Clercq, Mr Delmotte, Mr Gerlach, Mr Herbert, Mrs Kellett-Bowman,  
Mr Mitterdorfer and Mr Mursch

1. In his Opinion for the Committee on Budgets on Chapter 55 of the draft general budget for the financial year 1976 - the European Regional Development Fund<sup>1</sup> - Mr Delmotte provided an admirably concise account of the history of the creation of the Regional Development Fund and of the various proposals that had been put forward before the final figures had been arrived at. He also clearly explained the distinction between commitment and payment appropriations.
2. Since the present opinion covers the budgetary proposals for the third and last year of the Fund as set up by Council Regulation (EEC) No. 724/75, your draftsman does not consider it will be helpful to consider this past history in detail again except in so far as it has a direct bearing on the operations of the Fund in 1977.
3. When the Fund was finally set up on 18 March 1975 a total sum of 1,300 m.u.a. was made available over the three years 1975 to 1977 inclusive with the following appropriations:

For 1975	300 m.u.a.	
For 1976	500 m.u.a.	
For 1977	500 m.u.a.	‡
	1,300 m.u.a.	
TOTAL	1,300 m.u.a.	

4. Within these appropriations a distinction was made between Commitment appropriations, being the maximum sum which could be committed in respect of any financial year and Payment appropriations, being the maximum sum which the Commission could actually dispense in any one year. Provision is made by Article 3 of the financial regulation relating to the special provisions applicable to the European Regional Development Fund as follows "Commitment appropriations which are not used by the end of the financial year for which they are shown in the budget shall remain available during the following two financial years".

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<sup>1</sup> PE 42.027/fin.

5. For the financial year 1975 payment appropriations of 150 m.u.a. were authorised out of the total commitment of 300m.u.a. and in the event, 1975 being only a part year in view of the date of setting up the Fund, although the Commission was able to Commit 299.826 m.u.a. of the 300 m.u.a. available, the payments actually made only amounted to 90.67 m.u.a. of the 150 m.u.a. authorised. As a result the unspent amount of 59.33 m.u.a. was automatically carried forward to 1976.
6. For 1976 the Commission sought payment appropriations of 450 m.u.a. (i.e. the amount then estimated to meet the 50% of the 1975 commitment appropriations of 300 m.u.a. not provided for in that year's budget, plus 60% of the 1976 commitment appropriations of 500 m.u.a.). The Council, however, only authorized a 1976 payment appropriation of 300 m.u.a.; and to this must be added that part of the 1975 payment appropriation which was not spent in that year, viz. 59.33 m.u.a., giving a total of payment commitments of 359.33 m.u.a. for 1976. In addition the commitment appropriation for 1976 was increased by the carrying over of the 0.174 m.u.a. of commitment appropriations for 1975 which were not taken up and which, as described in para. 4 above, may be made available during the following two financial years. The commitment appropriation for 1976 is therefore 500.174 m.u.a. rather than the 500 m.u.a. envisaged in the Fund Regulation.
7. It is of course impossible for the Commission at this stage to say with any certainty how much of the 300 m.u.a. available for payment in 1976 will actually be paid out and this is because payments are only made following the receipt of invoices from the Member States in respect of investment expenditure incurred. The Commission envisage however that by the end of 1976 they will have paid out a sum approaching the allocation of 300 m.u.a. available for that year.
8. For 1977 the Commission is seeking payment appropriations of 500 m.u.a., a sum at first sight equal to the total Commitment appropriation for 1977. In fact however the payment appropriations for 1977 in respect of the Commitment appropriations amount to only 205 m.u.a. of the 500 m.u.a. committed - substantially less than half. The rest of the payment appropriation is made up of payments relating to the years 1975 and 1976.

9. Assuming the Commission's estimates for 1976 to be correct, the position by 1 January 1977 will be that of the total Committed for 1975 and 1976, 800 m.u.a., some 450 m.u.a. will actually have been paid out to the Member States. The following Table taken from the preliminary draft budget may make this somewhat clearer, but as the Commission warns it is basically "for guidance only":-

in m.u.a.

COMMITMENTS	PAYMENTS					
	1975	1976	1977	1978	1979 and subsequent years	TOTAL
1975 299.826	150,000 <sup>1</sup>	95.000	50.000	4.826	-	299.826
1976 500.174 <sup>2</sup>	-	205.000	245.000	40.000	10.174	500,174 <sup>2</sup>
1977 500.000	-	-	205.000	245.000	50.000	500.000
TOTAL 1,300,000	150.000	300.000	500.000	289.826	60.174	1,300.000

- <sup>1</sup> Of which 59.332 m.u.a. in automatic carry overs from 1975 to 1976  
<sup>2</sup> Of which 0.174 m.u.a. of the 1975 appropriations remained in 1976

10. As far as the draft budget is concerned the Council has however reduced the sum of 500 m.u.a. sought by the Commission as payment appropriations for 1977 by 100 m.u.a. The Council's justification for this is that the Commission will not be in a position to make payments totalling 500 m.u.a. in 1977.
11. Your draftsman would point out that this reduction cannot in itself affect the total sum of 1,300 m.u.a. which has already been agreed by the Council; it could however effect the length of time over which payments are actually made, and unlike the Commitment payments this is unlimited. The Committee on Regional Policy, Regional Planning and Transport have frequently commented on the need to apply assistance from the Fund speedily and they note with satisfaction the success the Commission has already achieved in Committing virtually all the 300 m.u.a. available for 1975 in that year, and they hope that they will prove as successful for 1976 and 1977 so that there is no question of Commitments being entered into after 1977 as in theory they could be until 1979; were this to happen there would be an effective prolongation of the life of the Fund from three to five years and a consequent "watering down" of its effective-

ness. The question of the period over which payments should be made once the commitment has been entered into is perhaps less important and your draftsman is not too disturbed by the Commission's forecast of 60.174 m.u.a. remaining to be paid in 1979 and subsequent years.

12. Subject to the views of the Commission, which he has not yet ascertained, your draftsman feels that provided the Council are prepared to give an undertaking, similar to the one they made last year, to establish if necessary a supplementary budget to ensure payments if the payment appropriation of 400 m.u.a. for 1977 proves insufficient, there will be no need to propose an amendment in respect of the payment appropriation simply because the Council have reduced it by 100 m.u.a. He is however fully aware of the general undesirability of making excessive use of supplementary budgets.
13. A more serious question is posed however by the degree of inflation which has taken place, above all in the countries benefitting most from assistance from the Fund, since 1975. It can be convincingly argued that, in order to maintain assistance in real terms in 1977 at the level envisaged in 1975, it would be necessary to increase the money available by at least 50 per cent - a point which is made in the Commission's First Annual Report on the European Regional Development Fund (for 1975).
14. At first sight it would seem attractive to increase the commitment appropriations for 1977 by, say 50%, from 500 m.u.a. to 750 m.u.a. This, however, would involve an amendment, not so much to the budget, without going beyond the ambit of Chapter 55, but to the 1975 Fund Regulation which determined the overall contribution at 1,300 m.u.a. To alter the commitment appropriations in respect of any particular year or years would require an amendment of the 1975 Regulation. If on the other hand Parliament was to recommend an increase of 50% in the payment appropriations (as it is entitled to do on the classification of expenditure on the Regional Development Fund as being non-compulsory) such an increase would not of course affect the overall assistance given, but only (conceivably) the rate at which payments from the total sum available were paid.
15. After careful consideration the Committee on Regional Policy, Regional Planning and Transport do not consider that any useful purpose is likely to be served by recommending amendments to the draft budget which are designed either to take into account the effects of inflation since 1975 or the cut of 100 m.u.a. in payment appropriations proposed by the Council for 1977.

16. The draftsman for an Opinion does not wish to trespass too far into the future; the Committee on Regional Policy, Regional Planning and Transport will in the near future be reporting on the First Annual Report on the European Regional Development Fund and will subsequently be considering and reporting on the Commission's proposals for the Fund after 1977.
17. The draftsman would however urge two points upon both Commission and Council. In the first place when the sum available to the Fund after 1977 is under consideration, the money finally voted in 1975 should be considered in terms of the decline in its value by 1977 and also the fact should be borne in mind that the Commission had originally proposed, in 1973, a total sum of 2.250 m.u.a. for the three years 1974, 1975 and 1976. Secondly if, in the proposed Regulation for the Fund after 1977, a specific sum is provided for to be spent over a given number of years, as in the case of the present regulation, then provision must also be made either to index, in some satisfactory manner, this money to compensate for the effects of inflation or alternatively to empower the Commission to conduct a yearly review of the money available and to vary it if necessary in accordance with the prevailing economic situation.
18. These however are comments for the future; it is partly in the light of the way in which the European Regional Development Fund has operated in its first three years that its further evolution will have to be determined. The fact that the Committee have not proposed any specific amendments to the draft budget for 1977 does not mean that they are not convinced that, as Mr Delmotte pointed out in his Opinion last year, it is "essential to:-
- (a) retain the possibility of increasing the Fund's resources in the future,
  - (b) be able to exercise democratic control on the establishment and utilization of these resources."
- Indeed, in the Committee's opinion the advent of direct elections will make the maintenance of these principles even more important in the future than they are now.
19. In the light of the above comments the Committee on Regional Policy, Regional Planning and Transport do not propose any amendment to Chapter 55 of the draft budget for 1977.

20. As regards the transport sector, your draftsman would like to raise two other points concerning this draft budget.

The first concerns Article 373, in which a new budget line has been entered with a token entry for financial assistance towards transport infrastructure projects. Your draftsman wishes to point out that the Council of Ministers has agreed to this request by the Commission, and expresses the appreciation of the Committee, especially, as the European Parliament has repeatedly called for Community action in the field of infrastructures.

This Community measure should therefore be welcomed, without prejudice to the opinion which Parliament will be required to deliver on the recent proposals for regulations concerning aid to projects of Community interest in the field of transport infrastructure (Doc. 244/76).

21. The second point concerns the appropriations entered in Article 371 of the preliminary draft budget of the Commission for operations in the aerospace sector (Item 3710 basic research; Item 3711 aids to the aerospace industry).

Commitment appropriations for the first item amounted to 20 m u.a. broken down as follows: 8 m u.a. for 1977, 8 m for 1978 and 4 m for 1979. Those for the second item totalled 16 m u.a., with payments of 8 m u.a. for 1977, 5 m for 1978 and 3 m for 1979.

The Commission itself entered these appropriations, specifying that the four proposals are currently being drawn up 'and that the Council of Ministers has deleted this article because, in the absence of concrete proposals', it considers it premature 'to enter appropriations for this purpose'.

These operations will affect the aircraft-building sector, which means that the problem only falls indirectly within the terms of reference of our committee.

However, your draftsman considers it necessary to mention this problem, which was raised at the last meeting, and proposes that the committee should table amendments reintroducing these appropriations.

OPINION OF THE COMMITTEE ON THE ENVIRONMENT, PUBLIC HEALTH AND CONSUMER PROTECTION

Draftsman: Mr H.E. JAHN

On 28 September 1976 the Committee on the Environment, Public Health and Consumer Protection appointed Mr Jahn draftsman.

At its meeting of 28 September 1976 it considered each of the articles of the draft general budget of the European Communities for the financial year 1977 falling within its terms of reference and agreed unanimously to propose amendments to Articles 350, 351, 354 and 355.

Present: Mr Della Briotta, chairman; Mr Jahn, vice-chairman and draftsman; Lord Bethell, vice-chairman; Mr Ney, Mr Spicer, Mr Guerlin, Mr Noè, Mr Hansen (deputizing for Mr Schwabe) and Mr Martens.

## I. Introduction

1. In considering the appropriations entered in the draft budget, the committee concentrated chiefly on Chapter 35 'Protection of man and his environment' using the summary contained in Doc. PE 45.539. The Council has made cuts in almost all the articles under this chapter. The committee takes the view that the appropriations originally earmarked by the Commission for some of the following projects in the areas of environmental and consumer protection should be reinstated.

## II. Activities in the field of radiation protection (Art. 350)

2. According to the Commission's General Introduction (preliminary draft, Volume 7) these activities include

- the formulation and revision of basic standards for maximum admissible doses, exposure and contamination,
- inspection of the installations for monitoring the level of radioactivity in the air, water and soil (Art. 35 of the EAEC Treaty),
- opinion on any project for the disposal of radioactive waste in the Member States (Art. 37 of the EAEC Treaty),
- making recommendations for directives with regard to compliance with the basic standards (Art. 38 EAEC Treaty).

3. The Commission had earmarked appropriations totalling 350,000 u.a. for these activities owing to the increasing demands of studies on radioactivity in river water and the rapid growth of the production of nuclear energy in the Community.

The Council has reduced these appropriations by 50,000 u.a.

4. The committee has decided to re-enter the amount of 350,000 u.a. originally proposed by the Commission.

## III. Measures for health and safety in respect of air and water (Art. 351)

5. The Commission had entered the sum of 480,000 u.a. under this article in the preliminary draft budget. The Council has reduced these appropriations by 40,000 u.a.

6. The committee believes that the measures proposed by the Commission to improve the living conditions of the population by combatting air, water, soil and noise pollution deserve full support and therefore calls for the re-entry of the appropriations originally earmarked.

IV. Health and safety measures at the place of work (Art. 352)

7. For this article the Commission had applied for an increase in appropriations of 100,000 u.a. as against the 1976 budget. The Council has agreed to this increase.

The committee notes with satisfaction that the Council is aware of the urgency of the campaign against industrial accidents and will enable the Commission to extend its preventive measures aimed at improving working conditions.

V. Studies and research on medicine and public health (Art. 353)

8. The committee warmly welcomes the fact that the new project proposed by the Commission with a view to defining a Community strategy for counter-acting and preventing social diseases has been fully approved by the Council.

In this area it recommends the Commission in particular to include the combatting of nicotine poisoning and the relevant consumer protection measures in its action to promote public health.

VI. Community environmental protection measures (Art. 354)

9. The Commission justifies its proposal to increase appropriations by referring to the first programme adopted by the Council on 22 November 1973 and the guidelines of the second programme for environmental protection approved on 16 October 1975.

The Commission has proposed 1,562,000 u.a. for this article. The Council has reduced this amount by 142,000 u.a.

10. In view of the fact that this item involves a renewal of appropriations for 1976 and concerns an important new field of activity - 'combatting waste' - as provided for in the second programme on the protection of the environment, the committee regrets that the Council has not accepted the financial implications of the implementation of a wider common policy on the environment. It therefore calls for the re-entry of the original figure of 1,562,000 u.a.

#### VII. Consumer protection and information (Art. 355)

11. Here too the increase requested is to meet the financial implications of the first programme for a policy of consumer protection and information. The implementation of this programme, which was adopted by the Council in April 1975, calls for increased appropriations.

12. The committee cannot accept the Council's decision to reduce appropriations in this area by 50,000 u.a. and insists that they be re-entered so that the Commission can fully implement its programme on consumer protection on the basis of the five guidelines.

#### VIII. Grant towards the operation of the European Foundation for the Improvement of Living and Working Conditions (Art. 359)

13. The Commission had requested appropriations totalling 3,025,000 u.a. in the preliminary draft. In its draft the Council has reduced this amount to 2,600,000 u.a.

After consulting the Commission the committee drew the conclusion that what was involved here was not in fact a reduction but a veritable cost-sheet of the European Foundation for the Improvement of Living and Working Conditions to be set up in Dublin, which will not be operational until March/April 1977. Consequently the committee approves the amount proposed by the Council.

#### IX. Conclusions

14. After considering the articles of the budget which fall within its terms of reference the committee proposes that the appropriations originally requested by the Commission in the preliminary draft budget in Articles 350, 351, 354 and 355 should be re-entered. Amendments will be submitted to this effect.

OPINION OF THE COMMITTEE ON ENERGY AND RESEARCH

Draftsman: Mr N. HOUGARDY

On 15 July 1976 the Committee on Energy and Research appointed Mr Hougardy draftsman.

It considered the draft opinion at its meetings of 10 September and 20 September 1976 and adopted it unanimously on 29 September 1976.

Present: Mr Springorum, chairman; Mr Leonardi, vice-chairman; Mr Ellis, Mr Giraud, Mr Giraud, Mr Hansen (deputizing for Mr Frehsee), Mrs Kruchow, Mr Lautenschlager, Mr Memmel, Mr Mitchell, Mr K. Nielsen, Mr Noè, Mr Pintat, Mr Romualdi and Mr Vandewiele.

## I INTRODUCTION

1. Appropriations in the Draft General Budget of the European Communities for the financial year 1977 amount to 8,646,278,339 u.a. Appropriations in 1976 amounted to 8,470,609,608 (including first and second supplementary budgets). Using the figures given above, the Preliminary Draft General Budget for 1977 would represent an increase of 2.07%.

2. Two chapters of Section III (Commission) of the Draft General Budget are of particular interest to this committee. These are Chapter 32 "Expenditure under the Energy Policy" and Chapter 33 "Research and Investment Expenditure". As in previous years, Chapter 33 is treated separately and is presented as Annex I to Section III (Commission) with the title "Statement of revenue and expenditure for 1977 relating to research and investment activities". The committee is also competent to examine parts of Chapters 25, 36 and 37.

## II CHAPTER 26

### Expenditure on Studies, Surveys and Consultations

3. Under this chapter the Article 265, Studies in the field of nuclear energy, etc., falls within the competence of this Committee. It notes with regret that, though the Commission, in its Preliminary Draft Budget, had requested appropriations amounting to 100,000 u.a. for Item 2653, Studies on the nuclear fuel cycle, this sum was reduced to 40,000 u.a. by the Council in its Draft Budget. The studies financed under this heading deal particularly with reprocessing, nuclear waste disposal and the decommissioning of nuclear installations. This committee and the European Parliament stressed the importance of this aspect of the nuclear fuel cycle in the resolution contained in the Noè Report (Doc. 69/76)<sup>1</sup>. The Committee on Energy and Research accordingly considers it necessary to increase these appropriations to 100,000 u.a., as originally requested by the Commission of the European Communities.

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<sup>1</sup>OJ No. C 125 of 8.6.1976, p.14

### III CHAPTER 32

#### Expenditure under the Energy Policy

4. Total appropriations for commitment of the Draft General Budget for the Energy Policy amount to 28m u.a. (entered under Chapter 100) and appropriations for payment total 16m u.a., of which 8m u.a. has been entered under Chapter 100. The remaining 8m u.a. is a re-entry of appropriations under item 3200, carried over from 1975 and 1976, which would have lapsed at the end of 1976.

5. In the Preliminary Draft General Budget this chapter consisted of five sections. Two of these, Articles 322<sup>1</sup> and 329<sup>2</sup>, required only token entries. Article 322<sup>1</sup>, Aids for coal stocks, was a new operation. The aid granted would depend on the level of the stocks to be financed. In its Preliminary Draft Budget the Commission of the European Communities requested a token entry, and stated that it would specify an actual figure at a later date. In its Draft General Budget the Council has deleted reference to this proposed operation. The committee has consistently encouraged projects aimed at aiding the coal industry, particularly in the Burgbacher Report on medium-term guidelines for coal 1975-85 (Doc. 147/75) and the Springorum Report on the future guidelines of the Community's coal policy in the framework of the overall concept of a Community Energy Policy (Doc. 133/76), and is conscious of the importance of aids for stocking coal. The committee accordingly proposes the re-insertion of this Item in the General Budget, and urges the Commission of the European Communities to formulate detailed proposals including the costs involved, with the least possible delay. If, however, the Committee on Budgets wished to propose a sum, to be used for this programme, for insertion in the Budget under Chapter 100, it would have the support of the Committee on Energy and Research.

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<sup>1</sup> Preliminary Draft General Budget Vol. 4, pp. 96-97; Vol. 7, p. 237

<sup>2</sup> Preliminary Draft General Budget Vol. 4, pp. 96-97; Vol. 7, p. 238

6. Under Article 329<sup>1</sup>, "Community loans for the financing of nuclear power stations" the Commission has also entered a token entry in the Draft Budget, with the justification that these are linked borrowing and lending operations, involving no financial burden for the budget of the Communities since the costs incurred by the Community in concluding and executing each operation would be borne by the beneficiary undertakings. It should be noted that, though the committee and the European Parliament approved the Commission's proposal for financing nuclear power stations (Mummel Report, Doc. 79/75 rev.)<sup>2</sup>, this project has not yet been approved by the Council.

7. Appropriations for three other projects have been entered in the preliminary Draft Budget under Chapter 32. These are:

(i) Item 3200<sup>3</sup>, Community technological development projects in the hydrocarbons sector, had appropriations for commitment amounting to 50m u.a. and appropriations for payment of 23m u.a. in the Commission of the European Communities Draft General Budget. In the Council's Draft General Budget these sums were reduced to 28m u.a. as appropriations for commitment (entered under Chapter 100), and appropriations for payment of 16m u.a., (this being a re-entry of 8m u.a. which, having been carried over from 1975 and 1976, would have lapsed at the end of 1976, and a further 8m u.a. entered under Chapter 100). This proposal was approved in principle by the Council in 1973<sup>4</sup>, and grants of loans and subsidies to specific projects were authorised by the Council in its decisions of 19 December 1974 and 25 March 1976. The committee has expressed its approval of this operation by requesting, in its opinion on the Draft General Budget for financial year 1976 (Doc. 361/75 Annex I) that the appropriations entered under this heading be increased from 25m u.a. to 35m u.a. The committee this year feels that the new appropriations for payment requested by the Commission, i.e. 15m u.a. are justified and therefore proposes that the Draft General Budget be amended by the restoration of 15m u.a. as appropriations for payment under Chapter 32, bringing the total to 23m u.a. and the deletion of 8m u.a. from Chapter 100. Similarly, this committee proposes that the appropriations for commitment be increased from 28m u.a. to 50m u.a.

(ii) Item 3201<sup>5</sup>, Joint Projects in prospecting for hydrocarbons

The Committee on Energy and Research and later the European Parliament<sup>6</sup> approved this Commission proposal (Leonardi Report, Doc. 122/75).

<sup>1</sup>Vol. 4 pp. 94-95;

<sup>2</sup>O.J. No. C 157 of 14.7.75, p.35

<sup>3</sup>Vol. 4 pp. 92-93;

<sup>4</sup>OJ No. L 312 of 13.11.1973

<sup>5</sup>Vol. 4, pp. 92-93;

<sup>6</sup>OJ No. C 239 of 20.10.75, page 18

As a result of an amendment by the European Parliament, appropriations for this operation for the financial year 1976 were increased from a token entry to an entry of 1m u.a. This year the Commission of the European Communities, in its Preliminary Draft General Budget, requested 9m u.a. as appropriations for payment and 30m u.a. for commitment. In its Draft General Budget, the Council reduced this to a token entry. The Committee on Energy and Research recognizes the value of this operation and is therefore proposing the reinstatement of these appropriations amounting to 9m u.a. for payment and 30m u.a. for commitment.

(iii) Article 321<sup>1</sup>, Prospecting for Uranium Deposits

This programme does not require the Council's approval, its legal basis being Article 70(1) and (2) of the EAEC Treaty. As a result of an amendment voted by the European Parliament, appropriations for this operation for the financial year 1976 were changed from no entry to an entry of 1 m u.a. The committee notes that though appropriations for commitment of 5 m u.a. and for payment of 2 m u.a. for this important programme have been entered in the Preliminary Draft General Budget for 1977, only a token entry has appeared in the Council's Draft General Budget. The Committee on Energy and Research proposed that appropriations of 5m u.a. for commitment and 2m u.a. for payment be reinstated in the General Budget.

IV CHAPTER 33

RESEARCH POLICY

8. In its general introduction to the 1977 budget, the Commission makes a distinction between 'direct action carried out at the four establishments of the Joint Research Centre (JRC) which was created under Article 8 of the Euratom Treaty' and 'indirect action carried out at the Commission headquarters (DG XII and III) through the medium of contracts of association, cost-sharing contracts, study contracts, etc. (Article 10 of the EAEC Treaty)'.

1. Indirect Actions

9. Estimate of appropriations as given in the Council's Draft General Budget for 1977, and comparison with appropriations authorised in 1976 (in units of account).

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<sup>1</sup>Vol. 4 pp 94-95

	Direct action JRC	Indirect action	EXIMBANK	Total Chapter 33
1976 appropriations for commitment	70,838,982	224,393,288	4,001,000	299,233,270
1976 appropriations for payment	71,380,987	59,800,539	4,001,000	135,182,526
Preliminary Draft General Budget				
1977 appropriations for commitment	104,981,090	104,815,676	3,400,000	213,196,766
1977 appropriations for payment	95,967,785	84,051,394	3,400,000	183,419,179
Council's Draft General Budget				
1977 Appropriations for commitment	104,091,090	101,860,876	3,400,000	210,241,966
1977 appropriations for payment	95,422,563	81,496,594	3,400,000	180,319,157

10. It should be noted that appropriations for payment for indirect actions for the financial year 1977, as stated in the Draft General Budget shows an increase of 21,696,055 u.a. over the preceding year.

11.

The greatest proportion of the appropriations for the indirect action programmes are required to finance the continuation of existing programmes. These include:

Objective of programme	Draft General Budget Appropriations for		Preliminary Draft General Budget Appropriations for		Approval by European Parliament
	Commitment	Payment	Commitment	Payment	
Plutonium Recycling in light-water reactors	1,421,600	1,031,600	1,421,600	1,031,600	Noè Report, Doc. 163/74 OJ No. C 93 of 7.8.74, p.80
Management and storage of radioactive waste	6,511,000	4,635,200	6,511,600	5,635,600	Noè Report for Public Health & the Environment Committee, Doc. 23/75 OJ No. C 95 of 28.4.75 p.30
Research & Development in the Energy field					Bessborough Report Doc. 526/74, OJ No. C 76 of 7.4.75 p.28
Energy Economy	4,503,076	3,005,376	4,502,976	3,005,276	
Production and use of Hydrogen	5,402,295	3,648,095	5,402,395	3,648,195	" "
Solar Energy	7,003,076	5,731,758	7,002,976	5,731,658	" "
Geothermal Energy	5,202,178	3,563,978	5,202,678	3,564,478	" "
Systems analysis and model building	1,603,876	1,388,707	1,604,076	1,388,907	" "
Biology and Health Protection (Radiation Protection)	5,827,867	7,344,294	5,810,567	7,339,439	OJ No. C 280 of 8.12.75 p.61

Objective of programme	Draft General Budget		Preliminary Draft General Budget		Approval by European Parliament
	Appropriations for Commitment	Appropriations for Payment	Appropriations for Commitment	Appropriations for Payment	
Reference Materials and Methods (Community Bureau of Reference)	908,233	955,118	908,033	1,065,700	Osborn Report Doc. 363/75 OJ No. C 280 of 8.12.75, p.62
Environment	5.470,000	3,786,017	5,469,500	3,949,449	OJ No. C 280 of 8.12.75, p.59
Fusion and Plasma Physics (Excluding JET)	16,029,292	22,939,054 <sup>1</sup>	16,020,292	22,941,000	Flämig Report Doc. 402/75 OJ No. C 7 of 12.1.76 p. 43
Fusion and Plasma Physics (construction of JET)	Token entry	Token entry <sup>2</sup>	39,620,000	20,950,000	Flämig Report Doc. 402/75 OJ No. C 7 of 12.1.76 p.43

<sup>1</sup>Blocked until the Council has taken a final decision on the JET project

<sup>2</sup>Appropriations for commitment of 39,620,000 u.a. and for payment of 20,950,000 u.a. entered under Title 9, Chapter 9.22 (Provisional Appropriations for the Project "Fusion and Plasma Physics - JET Project).

12. Four other programmes come under Title 3  
"Joint Programme - Headquarters and Indirect Action".  
These are:

- (i) a Commission proposal to the Council relating to the continuation of the training project<sup>1</sup> (Chapter 3.11) which ends on 31 December 1976. The Council has not yet given its approval to this proposal for which provisional appropriations totalling 1,139,683 u.a. in commitment and 159,800 u.a. in payment appropriations have been entered in the Draft Budget under Chapter 9.21. In addition, 62,000 u.a. in commitment and payment appropriations have been entered under Chapter 8.10. The Council is expected to announce its decision on this project, on which the European Parliament has not yet commented either, during the second half of 1976. While understanding the Council's desire to freeze in reserve for the time being the appropriations for programmes in respect of which no decision has yet been taken, it must not be forgotten that, even if such decisions are then still outstanding, the Commission must have at its disposal by 1 January 1977 the appropriations required to cover in particular expenditure relating to staff awaiting assignment to the new project. The 62,000 u.a. currently entered under Chapter 8.10 will only cover part of this expenditure. The Committee on Energy and Research therefore proposes that all the appropriations available, i.e. 62,000 + 139,800 u.a., making a total of 201,800 u.a., should be entered under this chapter in the form of commitment and payment appropriations.

Two new proposals for programmes on

- (ii) The Irradiated Fuel Reprocessing Programme, and  
(iii) "Downgrading of Nuclear Installations"

had been entered in the Commission's Preliminary Draft Budget under  
- Title 8<sup>2</sup> - appropriations relating to expenditure on  
staff awaiting assignment to a post, and

<sup>1</sup> Vol. 5, pp 52 - 53

<sup>2</sup> Vol. 5, pp 88 - 91, Preliminary Draft General Budget

- Title 9<sup>1</sup> - Provisional appropriations relating to other expenditure on these two actions.

The Commission is currently investigating whether the decisions required to launch these two programmes should be taken during the 1977 financial year. Consequently, only a token entry has been made under Title 3, Chapters 3.67<sup>2</sup> and 3.68<sup>3</sup> of the Draft Budget. The Committee on Energy and Research, like the European Parliament, looks forward to being given an opportunity, when the time comes, to study the proposed programmes and their budgetary implications.

(iv) And also an Indirect Action Programme

"Implementation of the Council resolution of 22 July 1975 on Nuclear Safety (OJ No. C 185 of 14.8.75)" is entered under Title 8, Chapter 8.11<sup>4</sup>, with appropriations for commitment and payment of 273,500 u.a. The European Parliament has expressed its approval<sup>5</sup> of this project in the Report drawn up by Mr W. Müller on behalf of the Committee on Public Health and the Environment (Doc. 49/75) and in the Opinion of the Committee on Energy, Research and Technology (Draftsman Mrs Walz).

13. The establishment plan for Headquarters and Indirect Action appended to Volume 5 of the Draft Budget (p. 168) includes 21 posts for the staff of former associations concerned with advanced reactors placed at the disposal of certain national bodies pursuant to Article 6(c) of the EAEC Treaty. According to the information supplied by the Commission, 26 members of staff will be placed at the disposal of these national bodies on 1 January 1977. Under the circumstances, the Committee on Energy and Research proposes that the 5 posts requested by the Commission in the Preliminary Draft Budget and deleted by the Council in the Draft Budget should be reinstated in the abovementioned establishment plan.

<sup>1</sup>Vol. 5, pp 98-99 Preliminary Draft General Budget

<sup>2</sup>Vol. 5, pp 78-79

<sup>3</sup>Vol. 5, pp 80-81

<sup>4</sup>Vol. 5, pp 92-93

<sup>5</sup>OJ No. C 128 of 9.6.1975, p.24

14. With regard to Title 3, Article 3.20.1<sup>1</sup> - Fusion and Plasma Physics - Construction of JET - the committee would like to take this opportunity of stressing, to the Council, the urgency of taking a decision on the site of JET so that work on this most important project can commence. In Vol. V of the Draft Budget, Page 169, Para. (6), referring to temporary staff for JET, the Committee on Energy and Research proposes that the phrase "terms of employment and" be deleted. The statute under which such staff are to be employed must be decided in collaboration with the European Parliament.

## 2. Direct Actions

15. The Preliminary Draft Budget for 1977 requested, in Titles 2 and 4 respectively a total of 90,376,771 u.a. and 9,574,319 u.a. in appropriations for commitment and 78,870,555 u.a. and 7,768,686 u.a. in appropriations for payment for the Direct Action (JRC) Programme. To these should be added, under Title 6, 1,230,047 u.a. in appropriations for payment. These broke down as follows: under Chapter 8.30, payment appropriations amounting to 3,068,497 u.a., and under Chapter 9.10, appropriations for payment and commitment amounting to 5,030,000 u.a. The total of these credits came to 104,981,090 u.a. in commitment appropriations and 95,967,785 u.a. in payment appropriations. In the Council's Draft Budget, these appropriations were reduced by 545,222 in payment appropriations (in Title 6).

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<sup>1</sup>Vol. 5, pp. 56-57

16.

- (i) The Commission justifies these increases on the grounds of increased staff expenditure and current expenditure for general infrastructure. In this connection, the Commission points out that the number of JRC staff is the same as in the current financial year, except that the number of local staff has been increased by 19. The increase in staff expenditure (over 6.2m u.a.) is therefore mainly accounted for by the salary increases for officials and other servants of the JRC. The factors on which the figure was calculated (weighting and purchasing power) have since been reviewed and this has not been taken into account either in the preliminary draft or the draft of this part of the budget, as is mentioned in the explanatory memorandum. This point is discussed in point 22 below.

As regards current expenditure for the general infrastructure, the Commission states that the price increases by comparison with the 1976 prices are as follows:

Ispra	+ 20 %
Geel	+ 8 %
Karlsruhe	+ 7 %
Petten	+ 12 %

(ii) General infrastructure investments

A general overhaul programme for installations and equipment of the JRC's general services is planned to begin in 1977. Expenditure for the first year is intended to cover the following work:

- (a) construction of a purifying unit for water discharged into the Lago Maggiore;
- (b) replacement of three wooden huts by concrete buildings;

- (c) conversion of central heating system (from oil-fired to natural-gas fired);
- (d) replacement of fencing at Ispra establishment;

and certain work connected with the safety of installations.

The Commission has stated that in view of the urgency of this work, a special request for 4.560 m u.a. in commitment appropriations<sup>1</sup> and 2.976 m u.a. in payment appropriations<sup>1</sup> is made for this programme in relation to subsequent financial years when expenditure will be much lower.

The total figures for general infrastructure investment for 1977 for the four establishments of the JRC amounts to 4,740,000 u.a. in Appropriations<sup>2</sup> for commitment and 3,231,000 u.a. for payment.

(iii) Investments in laboratory equipment

The Commission plans to launch an overhaul and modernization programme of laboratory equipment like that for infrastructure in 1977. This will require 4.588 m u.a. in commitment appropriations and 2.752 m u.a. in payment appropriations for the first year.

(iv) Specific expenditure on the research objectives under the new programme

These investments include:

- (a) a climatron for advanced studies of solar energy;
- (b) apparatus to study the fusion process and a sodium loop to study the safety of nuclear reactors;
- (c) a new cell chain for a medium-activity laboratory.

The Commission states that the investments in question are vital to the achievement of the scientific objectives of the research projects involved. The estimated cost is 6 m u.a. in commitment appropriations and 4 m u.a. in payment appropriations.

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<sup>1</sup>Vol. 7, p. 243

<sup>2</sup>Vol. 5, Chap. 1.20, Cat. 40 (pp. 112, 113 and 114)

In addition to these four factors, which would justify an increase in the JRC appropriations requested, the following appropriations are requested:

- (1) payment appropriations of 1.230 m u.a. for the completion and implementation of actions authorized under the 1973/76 programme;
- (2) commitment appropriations of 3.068 m u.a. intended to cover the balance of commitment appropriations in 1976 in Chapter 8.30 "JRC normal operating expenditure".

17. The Committee on Energy and Research and the European Parliament approved the Commission's proposal for a multiannual research programme of the Joint Research Centre 1977 - 1980 (Walz Report, Doc. 283/76). The Committee and the European Parliament expressed general approval of the Commission's proposal, believing that the research activities correspond to the guidelines on the role of the JRC recently drawn up by the European Parliament<sup>1</sup>.

They agreed that direct research projects in the new energy sectors (especially solar energy) and the environment sector must play a supporting role with regard to indirect action in these sectors.

18. The committee and Parliament expressed their approval of the improved ratio of operating and capital costs to staff costs (staff expenditure amounting to 57% of the estimated costs of the multiannual programme with 21% going for scientific expenditure and 22% for infrastructure). In this respect the 1977 Preliminary Draft Budget also meets the committee's approval, with appropriations for payment for staff costs coming to 54.003m u.a., or 56% of the total appropriations for payment for the direct action programme of 95,968m u.a.

19. In Mrs Walz's report on the multiannual programme of the JRC it is noted that, as regards the allocation of the overall budget between the four budgetary years of the programme, the highest appropriations would be needed for the first two years as a certain amount of capital investment in scientific equipment and infrastructure would be needed to start up the new programme. This is reflected in the preliminary draft budget.

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<sup>1</sup>OJ No. C 125 of 8 June 1976, pp 16-18

20. The Committee on Energy and Research stresses the importance of the principle of annual adjustment of the direct research budget to meet changes in costs. The application of the principle of annual adjustment implies that any future decision on the multi-annual programme should serve solely as a guide and that the Direct Research budget for each year must be determined following the normal budgetary procedures.

21. Pending a decision on the JRC's multi-annual programme, the Council decided, when approving the budget for the financial year 1977, to make a hypothetical entry showing the amounts proposed by the Commission under Title 9 ('provisional appropriations'), apart from a flat-rate sum of 14,938m u.a. shown under Title 8 ('Miscellaneous activities' - i.e. appropriations not covered by a specific programme decision).

The Council thinks that in the event of delay in reaching a decision on a programme this should make it possible to ensure that the JRC continues to function during the first 2 or 3 months of 1977.

22. In fact, the actual scope of this precautionary measure has been considerably eroded by statutory obligations (wage costs) and contractual obligations (large-scale plant, reactors, computers, provision of services etc.), calling for substantial provisional commitments in the immediate future.

Our committee has no wish to use the budgetary procedure to prejudice the decisions taken by the Council in regard to programmes; however, in the interests of safeguarding a Community achievement such as the JRC it would have been more expedient to enter the appropriations necessary for the 'normal' running of the JRC and not specifically tied to the implementation of a new programme under Title 8.

23. The Committee on Energy and Research therefore believes that appropriations should be broken down differently between Titles 8 and 9 to avoid any hiatus in the continuous operation of the Centre in the event of delay in reaching a decision on the programme. This new breakdown is shown in the following table.

in u.a.

Budgetary Nomenclature		Draft Budget		Amendment No. 1	
Title	Chapter	Commitments	Payments	Commitments	Payments
2		token entry	token entry	token entry	token entry
4		token entry	token entry	token entry	token entry
6	6.10 to 6.15	-	684,825	-	684,825
8	8.30	-	3,068,497	-	3,068,497
	8.31	14,938,000	14,938,000	74,380,090	68,684,241
9	9.10	5,030,000	5,030,000	5,030,000	5,030,000
	9.90	85,013,090	71,701,241	25,571,000	17,955,000
		104,981,090	95,422,563 <sup>1</sup>	104,981,090	95,422,563 <sup>1</sup>

<sup>1</sup> The fact that the payment appropriations are less than in the preliminary draft budget is the result of a recalculation under Title 6, taking account of appropriations allocated elsewhere in non-automatic carry-forwards from the financial year 1975.

24 When considering the preliminary draft budget of the European Communities for the financial year 1977, the Council's Budget Committee asked that the criteria used to calculate staff expenditure should be brought into line without delay with the most recent statistical data.

Taking these new data into account the 1977 budget for the JRC is increased overall (commitments and payments) by 3,018,231 u.a.

Our committee feels that this point should be taken into consideration and the JRC budget based on the same criteria as are applied to the Commission staff as a whole, and therefore proposes a second amendment as shown in the following table.

in u.a.

Budgetary Nomenclature		Draft Budget		Amendment No. 2	
Title	Chapter	Commitments	Payments	Commitments	Payments
2		token entry	token entry	token entry	token entry
4		token entry	token entry	token entry	token entry
6	6.10 to 6.15	-	684,825	-	684,825
8	8.30	-	3,068,497	-	3,068,497
	8.31	74,380,090	68,684,241	75,054,321	69,358,472
9	9.10	5,030,000	5,030,000	7,374,000	7,374,000
	9.90	25,571,000	17,955,000	25,571,000	17,955,000
		104,981,090	95,422,563	107,999,321	98,440,794

25. Volume 5 of the Preliminary Draft General Budget contains a draft Council Decision authorising the Commission to make certain transfers in accordance with Article 103(1) of the Financial Regulations applicable to the Budget of the European Communities. The Commission would be empowered to use its discretion, as the need might arise, with regard to making transfers between Chapters resulting from the structure of the Functional Budget. It should be noted that such transfers would not have the effect of increasing or reducing by more than 10%, as to appropriations for commitment or appropriations for payment, the appropriations originally entered in each Chapter. Such transfers should not result in the overall financial ceiling of the programmes being exceeded. The Council deleted this Draft Decision from the Draft General Budget. As the Committee on Energy and Research feels that the granting of such powers to the Commission would increase programme flexibility in Research, it proposes the reinsertion of the Draft Council Decision in the General Budget for the financial year 1977.

### 3. Eximbank Operation

26. To conclude its examination of Chapter 33, the committee notes that repayment of sums borrowed under the Euratom/United States Agreement<sup>1</sup>, including capital repayments and payments of interest on sums borrowed from the Export-Import Bank, has decreased from 4,001,000 u.a. in 1976 to 3,400,000 u.a. for 1977, a reduction of 601,000 u.a.

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<sup>1</sup>Vol. 5, Title 7, Chap. 7.00 (pp 88-89)

V CHAPTER 36

Expenditure on scientific and technical information and on information management

27. In the preliminary draft general budget appropriations entered under Chapter 36 for the financial year 1977 amount to 2,650,000 for commitment and 1,250,000 for payment. Included in this chapter are two new items.

Item 3611<sup>1</sup> "Assessment and utilisation of the research findings" with a token entry (an appropriation of 60,000 u.a. being entered under Chapter 100), and

Item 3621<sup>2</sup> with payment appropriations of 260,000 u.a. and appropriations for commitment amounting to 650,000 u.a. in the preliminary draft general budget, and a token entry in the Council's Draft General Budget. This new programme is an activity supplementary to the three year project on scientific and technical information and documentation (STID). The European Parliament has not yet been consulted on this new supplementary proposal, though it appears to be fully in line with the recommendations contained in the Petersen Report (Doc. 387/74)<sup>3</sup>. The Committee on Energy and Research, believing that this programme should lead to significant advances in translation techniques, is proposing that appropriations of 260,000 u.a. for payment and 650,000 u.a. for commitment be restored.

<sup>1</sup> Vol. 4, pp 112-113; Vol. 7, p.266, Preliminary Draft General Budget

<sup>2</sup> Vol. 4, pp 114-115; Vol. 7, pp. 268-269, Preliminary Draft General Budget

<sup>3</sup> OJ No C 32 of 11.2.1975, p.7

28. The Committee on Energy and Research notes that, inter alia, Article 235 of the EEC Treaty is quoted as part of the legal basis for Item 3611, Assessment and Utilisation of Research findings. This article requires parliamentary consultation, so the European Parliament will have an opportunity of examining this operation in depth when the Commission has drawn up its detailed proposals. In the meantime the committee would like to express its approval of the Commission's decision to enter the appropriations in the 1977 Preliminary Draft General Budget which would have obviated the need for a supplementary budget.

29. Item 3620<sup>1</sup> Plan for a Three-Year project in the field of Documentary Research, Scientific and Technical Information and Documentation, was the subject of the Petersen Report (Doc. 387/74) in which the committee approved the Commission's proposal. The Council entered appropriations amounting to 2,650,000 for commitment and 1,250,000 for payment in the Draft General Budget, the Commission having requested 2,775,000 for commitment and 1,300,000 for payment.

## VI CHAPTER 37

### Expenditure in the Industrial and Transport sectors

30. Item 3720<sup>2</sup> - Operations in the textile sector

Appropriations of 90,000 u.a. have been entered under this item, to cover expenditure for the last year of the multiannual programme (1975-1977) on the promotion of research and the application of technological progress in the textile sector by three research projects

- thermal treatment of chemical fibres - optimization of manufacturing processes;
- textile processing in organic solvent media - reduction of water consumption and energy consumption;
- fire-proofing of textile fibres by radiation grafting and consumer protection by improving the fire-resistant properties of textile.

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<sup>1</sup>Vol. 4, pp 114-115

<sup>2</sup>Vol. 4, pp 118-119

31. This committee, in the Glesener Report (Doc. 424/74), and the European Parliament, gave a favourable opinion<sup>1</sup> on the Commission's proposal for a decision establishing this research programme, while expressing the view that the proposal contained "insufficient information on the financial implications, which has made a proper assessment difficult".

32. The Committee on Budgets, in its opinion in the form of a letter dated 4 December 1974 and signed by Mr Aigner, also pointed out that insufficient information has been given on the financial implications of the proposal. Detailed information has now been supplied by the Commission of the European Communities in Vol. 7<sup>2</sup> of the Preliminary Draft Budget.

33. Item 3721 - Operations in the footwear sector

In its Preliminary Draft Budget the Commission entered a token entry under Chapter 37, and entered appropriations of 90,000 u.a. for payment and 235,000 u.a. for commitment under Chapter 100.

In its Draft Budget, the Council entered a token entry under Chapter 37 and 100,000 u.a. in payment appropriations under Chapter 100, while entering no appropriations for commitment. The Committee on Energy and Research is requesting the reinstatement of 245,000 u.a. in commitment appropriations to enable the Commission of the European Communities to enter into contracts which could be drawn up for the full length of the programme, during its first year of operation.

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<sup>1</sup>OJ No. C 32 of 11.2.1975, p.8

<sup>2</sup>Preliminary Draft Budget, Vol. 7, pp. 276-277

OPINION OF THE COMMITTEE ON DEVELOPMENT AND COOPERATION

Draftsman: Mr P. DESCHAMPS

On 21 September 1976 the Committee on Development and Cooperation appointed Mr Deschamps draftsman.

It considered the draft opinion at its meeting of 29 September 1976 and adopted it unanimously.

Present: Miss Flesch, chairman; Mr Sandri, vice-chairman; Mr Deschamps, draftsman; Mr Bersani, Mr de Keersmaeker (deputizing for Mr Schuijt), Mr Dondelinger, Mr Durieux, Mr Espersen, Mr Flämig, Mr Jakobsen, Mr Martens (deputizing for Mr Härzschel) and Mr Brønlund Nielsen.

1. Highly significant changes have taken place over the last few years in North-South relations, i.e. in relations between the industrialized and developing countries. This period has been marked by a growing self-confidence on the part of the developing countries - which, following political independence, are now aiming at economic self-sufficiency -, with, on the one hand an increasing danger of confrontation between poor and rich countries and on the other hand a recognition of the fact that the separate constituent parts of the world economy are far more closely linked than was hitherto assumed. Hence the call now is for a new world economic order, in other words greater participation by the third world in world economic affairs. What this actually means for the developing countries is the setting up of an industrial infrastructure, expansion of the agricultural sector and guaranteed markets for their exports (semi-finished and finished products, agricultural products and raw materials) at fair and stable prices. The industrial countries are therefore being called upon to develop forms of cooperation designed to achieve an economic balance, enabling the developing countries at long last to satisfy their basic requirements.

2. The Community has put special emphasis on development, particularly through the Lomé Convention. The Commission, above all, deserves credit for having recognized the wider implications of development policy and for its persistence in continually submitting to the Council new proposals for implementing a European development policy. The emergence of a coherent Community development policy is evidenced by the Agreement with the Maghreb countries, the start of negotiations with the Machrek countries, the generalized preferences scheme, food aid, financial and technical cooperation with the non-associated developing countries and a variety of other aid and support measures. An effective policy towards the developing countries is particularly important for Europe, since it is a continent poor in raw materials. For Europe, therefore, complementarity and interdependence in economic life is necessarily axiomatic. This means that relations between the Community and the developing countries can be based on mutual interests, since the economies of the European countries suffer from a degree of geographic confinement and are particularly deficient in energy and raw materials. They depend strongly on imports and exports and need other trading partners if they are to remain viable. The developing countries, for their part, some of which are rich in raw materials, need the technology and productive capacity of the EEC countries to ensure economic expansion. What they need above all, however, is access to a large market. Both the Europeans and the developing countries thus have much to offer one another in the context of joint cooperation. The ultimate objective - interdependence and a greater measure of integration - holds out thoroughly rewarding prospects to both sides.

3. The Community's budget must reflect this policy and its further progress, in other words the Community's political determination in the field of development aid must be evident in the budget, which accurately reflects the priorities being accorded by the Community to individual sectors. The committee is therefore in full agreement with the Commission that all aid granted to third countries should be financed by the Community's own resources and entered in the budget.

4. The Commission's preliminary draft budget for 1977 amounts to 9,260,731,297 u.a., an increase of 1,683,872,149 u.a. or 22.22% over the 1976 budget. However, as the Commission emphasizes in its preliminary draft - and as Commissioner Cheysson pointed out in his statement to the European Parliament on 6 July 1976 on the preliminary draft budget for 1977 - this comparison has only temporary validity, since the Commission's outgoings for 1976 have still to be adjusted to take account of the supplementary budget for the EAGGF, Guarantee Section, which has yet to be drawn up, as well as for food aid and the recently submitted supplementary budget for the Friuli earthquake disaster. The appropriations earmarked for development aid amount to 364,632,900 u.a. (payment appropriations), or 4% of the total budget<sup>1</sup>. Whilst the overall budget is increased in the preliminary draft budget by 22.22%, the increase in development aid amounts to 28%.

This gratifying picture naturally changed immediately the Council's draft general budget for 1977 became available. The figures no longer seemed to bear very much relation to the Commission's broad-minded and progressive approach. In the draft budget for 1977 the Council proposes 247,007,200 u.a. (2.64% of the draft budget) for commitment appropriations and the same amount for payment appropriations (2.86%). This represents a reduction of 26.55% by comparison with the 1976 budget, when commitment appropriations amounted to 3.77% and payment appropriations 3.97%.

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<sup>1</sup> By comparison, the Member States set aside the following amounts for bilateral development aid in 1973:

Belgium	\$ 234.7 m
France	\$1,488.4 m
Germany	\$1,102.0 m
Italy	\$ 192.0 m
Netherlands	\$ 322.1 m
United Kingdom	\$ 603.1 m
Denmark	\$ 130.4 m
Luxembourg	\$ 3.4 m

Corresponding figures<sup>4</sup> for the USA and the Socialist countries:

USA	(1975):	\$ 3,400 m,
Soviet Union	(1974):	\$ 850 m,
East Bloc countries	(1974):	\$ 75 m,
China	(1974):	\$ 500 m,

(Figures provided by the Commission and the Development Aid Committee of the OECD (DAC))

5. The resources of the EDF, under the Lomé Convention which came into force on 1 April 1976, have unfortunately not yet been integrated into the budget. The incorporation of the EDF in the budget is basically a political decision, since it would integrate the Association policy into Community policy as a whole and lay the basis for a Community foreign policy. If development aid policy is to become a proper Community policy, then the EDF must come under the Community budget. The present system, under which the funds are made available by the Member States according to a sharing formula, suffers from the disadvantage that the funds are administered separately from the budget and are therefore not subject to the control of the European Parliament. The inclusion of the EDF in the Community budget would also assure continuity between two agreements and eliminate the difficult problems arising during transitional periods, problems which in the past have been detrimental to the associated countries. While the Member States were, at the time the Lomé Convention was signed, in agreement that the EDF funds should, in the long term, be incorporated in the Community budget, the technical difficulties could not be resolved with the result that the same financial arrangements as for the third were applied to the 4th EDF. However, it is most gratifying that the Commission, in drawing up its budget for 1977, takes into account the later inclusion of the EDF (which will replace the 4th EDF from 1980). Two chapters are provided for the purpose and will include, with the exception of the EIB loans, all Community financial aid to the ACP countries.

6. In 1977, as in the past, food aid is again the most important development aid chapter in the budget. Its aim is to help those developing countries with a major food deficit to solve their food problems by making available, free of charge, urgently required foodstuffs. Of particular importance is the fact that the great majority of food aid is delivered to the poorest and most densely populated areas of the world, regardless of whether they are associated or non-associated countries. In the Commission's preliminary draft the cost of food aid for 1977 should be 310 m u.a., compared with 249 m u.a. in 1976 - although the latter amount will be increased, by means of a supplementary budget to finance additional aid in the form of 95,000 tons of milk powder, to 290 m u.a. The increase in funds for food aid would thus amount to 20 m u.a. for 1977. This increase is made up of a rise in the percentage figure for wheat deliveries, the continuation and expansion of the milk powder programme to 150,000 tons, a small increase in sugar deliveries and an extension of the delivery programme for foodstuffs with a high protein content, such as dried fish, egg powder and processed cereal products. The economic situation in the EEC may at present be somewhat less rosy than in past years, but it is in no way comparable to the situations in certain parts of the third world. The increase in Community food aid to the developing countries is thus a moral obligation and should be given first priority by our Parliament. Moreover, the Community has repeatedly committed itself in international bodies to increasing food aid. I am thinking here in particular

of a statement made by former Council President Rumor on 2 September 1975 to the 7th Special Session of the United Nations Assembly and similar Community declarations to the World Food Conference in Rome. Mention should also be made of the various resolutions adopted by the European Parliament which have repeatedly called for an expansion of the Community's food aid policy. In view of the precarious food situation in many parts of the world and the considerable food surpluses in the Community - the milk powder mountain is just one example - the increase in food aid by 20 m u.a. appears extremely modest. Your committee therefore believes that the Council has shown a lack of forethought and political insight by making considerable cuts in the various items relating to food aid in its draft budget. It therefore intends to propose, by tabling the necessary amendments, that the amounts entered by the Commission in the preliminary draft be re-instated.

At present, unfortunately, food aid is still granted on the basis of annual programmes decided by the Council. Parliament, however, shares the Commission's view<sup>1</sup> that a multiannual programme for the developing countries concerned would be more suitable since the aid could then be taken into account in drawing up development plans.

7. The preliminary draft budget for 1977 provides for the delivery of 1,128,700 tonnes of grain under the food aid programme for which 162,750,000 u.a. were earmarked in the budget. One hundred and fifty thousand tonnes of skimmed milk powder as food aid has been proposed for 1977, for which 58,850,000 u.a. were earmarked in the preliminary draft. In this connection the committee once again welcomes the Council's decision of 2/3 March 1976, permitting deliveries of skimmed milk powder under the food aid programme for 1976 to be increased to 200,000 tonnes. Attention is again drawn to the numerous debates in Parliament on this subject. It would be truly absurd not to increase this type of food aid in view of the more than one million tonnes of skimmed milk powder at present being stored at vast cost in the Community. Moreover, milk powder is a valuable source of protein and the Community is in fact the world's only supplier of this commodity. Forty-five thousand tonnes of dairy fats are being made available, the anticipated cost of which is 58,190,000 u.a. The Commission's preliminary draft made provision for 10,000 tonnes of sugar to be delivered in 1977 (6,153 tonnes to UNRWA for allocation to Palestinian refugees and 3,847 tonnes to other developing countries) at a cost of 4,210,000 u.a. In the draft budget, however, the Council has contented itself with the sugar supplies to UNRWA and, without giving any reasons, has deleted the entry for sugar deliveries to other developing countries. Convinced of the usefulness of diversified food aid which takes account of the needs of the developing countries, your committee therefore intends to table an amendment proposing that the 1977 sugar supply programme should be implemented in accordance with the memorandum on food aid approved by the European Parliament and with the Commission's proposals.

<sup>1</sup> See in this connection the Seefeld Report on the food aid policy of the European Community, Doc. 171/74, 9 July 1974, unanimously adopted by Parliament on 12 July 1974.

A total of 20 million u.a. is proposed for food aid of other types as part of the minimum commitment laid down in the memorandum on the EEC's food aid policy<sup>1</sup>. The committee would emphasize that in 1976 no funds were made available under this head. The Council has for the time being deleted this item without giving any reasons for such drastic action. Admittedly a token entry has been made, but this is obviously of little use to the developing countries. The committee therefore proposes that 20 million u.a. be entered under this item.

One million u.a. has again been made available in 1977 - as in 1976 - for specific measures absolutely vital to the implementation of emergency food aid actions (in the event of natural disasters) for which funds are not provided by the individual programmes (air transport, storage). The question arises here as to whether this amount is still adequate in view of continuing inflation, since transport and storage in the developing countries often give rise to major problems.

8. The Community's financial and technical aid to non-associated developing countries is of particular importance, since it is intended to help the development of agriculture and food production in the poorest countries of Latin America and Asia. These funds are also used to promote economic cooperation between the Community and the developing countries and for immediate aid measures. Parliament has repeatedly discussed the question of money for the non-associated developing countries, which ranks as non-obligatory expenditure, and has expressed its disappointment that the Council approved no more than a modest sum for the purpose and then could not decide how it was to be used. The Commission had originally earmarked 100 million u.a. for 1976, which was subsequently cancelled outright by the Council. At this, our committee called for the re-entry of 40 million u.a. in the 1976 budget. When Parliament adopted the Härzschel Report<sup>2</sup> on 14 July it expressed the opinion - in view of the urgent need in certain countries - that even 100 million u.a. was still too low a figure. Although the Council had approved a joint policy for aid to the non-associated developing countries, it was unable to make the necessary funds available. It finally went so far as to reduce the 40 million called for by Parliament to 20 million u.a. Since the Council itself was unable to reach unanimity on how this modest sum was to be used, Parliament on 16 June 1976 called for the immediate utilization of the funds entered in the 1976 budget for the non-associated developing countries.

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<sup>1</sup> Doc. COM(74) 300 final of 6 March 1974

<sup>2</sup> Härzschel Report on Community financial and technical aid to non-associated developing countries 1976 - 1980, Doc. 133/75, 18 June 1975.

The committee therefore welcomes the fact that the Commission is raising the amount for this sector from 20 to 120 million u.a. (commitment appropriations for 1977 120 million u.a. and payment appropriations for 1977 40 million u.a.). The increase is based on the fact that the Council approved only a small part of the Commission's proposals for 1976 (100 million u.a.) and that the sum of 120 million u.a. for 1977 corresponds to that proposed in the Commission's communication of 5 March 1975<sup>1</sup>. The committee agrees with the Commission that this sum is necessary if the Community is to be able to pursue a credible aid policy towards the poorest and non-associated developing countries. In addition, it feels that operational criteria should be established and a scale of priorities drawn up by which the relatively limited funds would be made available where they are most urgently needed or where the best possible effect on development can be achieved.

The Council did not adopt the proposed 40 million u.a. In its comments on this article of the budget it states that it has not yet taken any decision because it will be holding a meeting on development matters in September. Since this meeting has now been postponed indefinitely, your committee proposes, for the above reasons, that the sum of 40 million u.a. be entered under this article, in accordance with the Commission's proposal.

In the 1977 budget the Commission, for the first time, included commitment appropriations under the chapter covering development aid. These related in particular to financial cooperation with non-associated developing countries. The Commission proposed a commitment appropriation of 120 m u.a. for 1977. Payments would be spread over several years: after a payment of 40 m u.a. in 1977, it was proposed that 60 m u.a. should be paid in 1978, the remaining 20 m u.a. being set aside for 1979 and subsequent years.

The Council deleted the proposed commitment appropriations. Your committee came to the view, however, that this was a question of long-term policy. The amount earmarked for commitment appropriations was necessary if the Community's development aid policy were to gain credibility with the poorest non-associated developing countries. This view is, furthermore, in accordance with the Council decisions of 30 April 1974.

Your committee has therefore tabled an amendment proposing the reinstatement of the remarks and commitment appropriations contained in the preliminary draft budget for 1977.

<sup>1</sup> Communication from the Commission to the Council on Community financial and technical aid to non-associated developing countries 1976 - 1980, Doc. COM(75) 95 final of 5 March 1975.

9. The increase from 4,000,000 u.a. in 1976 (commitment appropriations for 1977: 5,000,000 u.a.) to 4,500,000 u.a. in 1977 (4.5 million) which is being asked for in the budget for 1977 between the Community and the non-associated developing countries is not acceptable, given the overall development aid policy of the Community towards the associated developing countries. Support for the sale of the associated developing countries' products on the Community market and the effort to create a market for the developing countries to develop their export potential are to be seen as an important factor in development. In view of the importance of this sector the 15.2% increase in this item must be regarded as acceptable.

The Council found it necessary to reduce the amount entered under this article to 3.5 million u.a. Your committee, however, does not agree with this, believing that the increase decided on by the Commission of the European Communities is the absolute minimum acceptable. It therefore proposes that 4.5 million u.a. should be entered, under this item, in accordance with the Commission's proposal.

The Commission also proposed a commitment appropriation under this item i.e. it was proposing that 4.5 m u.a. should be paid in 1977 and 500,000 u.a. the following year.

Your committee considered this commitment appropriation reasonable given that the number of applications from developing countries for aid of this kind has increased considerably. The additional amount requested and the commitment appropriation are therefore entirely justified and your committee has tabled an amendment calling for the reinstatement in the 1977 draft budget of the appropriations originally proposed by the Commission.

10. Also of importance are the measures supporting the efforts to bring about regional or sub-regional integration between the developing countries. The Commission is proposing that 400,000 u.a. be earmarked for this purpose, instead of the 260,000 u.a. provided last year. These appropriations are relatively modest considering that they are intended for several regional groupings in Latin America, Asia and the Middle East and especially seeing that the Community, according to the Commission itself, is alone in a position to provide constructive help to these organizations. Although in its proposal the Council entered only 375,000 u.a. under this item, your committee proposes that this amount, be accepted, since it is at all events a considerable improvement on the 1976 appropriation.

11. As regards the special measures for financial and technical cooperation with the developing countries - which provide for limited but significant support to back up the policy in favour of the associated and non-associated developing countries - the Commission is proposing the allocation of 8,591,200 u.a., an increase of approximately 17%. Within this chapter the grant for the implementation of the supplementary food aid programme for Palestinian refugees, administered by UNRWA, and the aid to the developing countries by the non-governmental organizations (NGO) are the most important. Support for the activities of the non-governmental organizations is most important since thanks to their skilful, and speedy action in carrying out specific projects, they render an invaluable service in the poorest developing countries. In 1976 the Commission proposed a grant of 5 m u.a. for this sector, and the Council ultimately granted only 2.5 million. The increase from 2.5 to 5 million u.a. called for in 1977 is simply a return to the Commission's 1976 proposal (commitment appropriations for 1977: 5 million, payment appropriations for 1977: 2.5 million u.a.). The first few months of this financial year have confirmed, in the Commission's experience, that this sum represents an annual minimum bearing in mind the number and type of applications for co-financing. The committee therefore hopes that the funds being proposed in the preliminary draft budget for 1977 for the non-governmental organizations will be approved by the Council, since they will help to finance small projects benefiting the poorest population groups in the associated and non-associated developing countries and will make it possible to circumvent the cumbersome bureaucratic procedures and the high costs associated with them.

Although the Council did not approve the commitment appropriation of 5 million u.a., it did increase the payment appropriation for 1977 by 1 million u.a. to 3.5 million u.a. In the circumstances your committee, not wishing to seem immoderate in its demands, proposes that the Council's suggestion be adopted.

The committee regrets that no funds are to be made available for continuing the training programme for young managers for development aid. The Commission simply states that, following the entry into force of the Lomé Convention, a full review is necessary. The committee believes that this should take place as soon as possible.

The Commission has included a token entry under a new article (962) so as to indicate that the agreements concluded with certain Mediterranean countries may have budgetary consequences already in 1977. The appropriations entered under this article are intended for financial support not provided by the EIB. The Council did not agree with the Commission on this point and therefore deleted the article. Your committee takes the view that the said item, with token entry, is needed to ensure that the agreements with, in particular, the Maghreb countries and Malta, enter into force as soon as possible. Your committee has therefore decided to table an amendment supporting the Commission's proposal.

12. The Commission also proposed a commitment appropriation for this new article. In fact, it suggested that 6 m u.a. should be paid in 1978 and the rest of the commitment appropriation, amounting to 14 m u.a., by 1979 at the latest. For once, the Council acted consistently in deleting not only the token entry but also the Commission's remarks on the new article, as well as the commitment appropriations.

Your committee has reinstated the token entry and, not wishing to be any less consistent than the Council, has also proposed a further amendment to reinstate the remarks and the commitment appropriations entered in the preliminary draft budget by the Commission.

Its reasons for doing so is that it feels that the Community's relations with the Mediterranean countries do not consist of isolated measures but are part of a long-term policy.

13. Both your committee and the European Parliament as a whole have, on several occasions, stressed the need to show all the Community's development aid activities in the budget. Now that the Member States have finally announced their contributions to the International Fund for Agricultural Development (IFAD), it would seem logical and sensible to finance the Community's contribution to IFAD from the budget of the European Communities.

Given that it will probably not be necessary to pay the second instalment of the contribution to IFAD in 1977, it would be sufficient to include a new Article 946 entitled 'Community contribution to the International Fund for Agricultural Development' with a token entry in the 1977 budget.

Your committee has tabled an amendment to this effect.

14. In view of the added responsibilities of the Commission delegates to the ACP countries and the increasing importance of these duties arising from the provisions of Article 31 of Protocol 2 to the Convention of Lomé, the Commission decided to request the creation of 10 temporary category A posts in order to regularize the position of these delegates. It is asking only for temporary posts since it will be making a thorough study of the provisions of the Staff Regulations as they relate to this area.

Your committee considers it highly desirable that these delegates should be part of the Commission's hierarchical structure. At present their external duties are carried out through the medium of a private organization constituted under Belgian law - the European Cooperation Association. This arrangement is no longer appropriate to the duties performed by these delegates, particularly in connection with the Lomé Convention. This is why the Committee on Development and Cooperation has tabled an amendment proposing the reinstatement in the list of posts of the 10 temporary posts requested by the Commission and deleted by the Council.

To permit the secondment of Commission officials to the ACP countries, the Commission asked for 34 category A posts to be created. However, it emphasizes that the creation of these posts will be a purely formal step and will not be used to recruit additional staff, nor will any appropriations be allocated. The measure is purely administrative, and is intended to ensure compliance with the provisions of the Staff Regulations as regards these secondments. This request has also been rejected by the Council.

The Committee on Development and Cooperation believes that by seconding officials to the ACP countries as economic and technical advisers to the ACP delegations the Commission has translated into practical terms the principle of mobility which it seeks to promote. The secondment of such officials to participate in the work of the ACP delegations is also of considerable value to the delegations and to the officials themselves.

Your committee has therefore also proposed, for the sake of good order, that these 34 category A posts should be added to the establishment plan of the Commission.

15. When Parliament eventually comes to make its final choice as to what it wishes to include within its margin of manoeuvre, it is to be hoped that it will think very carefully and include a considerable sum for development policy. This is the only way in which Parliament can prove that its concern extends beyond the Community's borders and is not limited exclusively to the prosperity of the Community itself. Above all, Parliament must bear in mind that, on 20 May 1975, it unanimously adopted the Bersani Report on the general cooperation policy in the field of development.

In conclusion, the committee hopes that the Council, when it considers the budget, will adopt the views of the Commission and our committee. The Council must be urged to follow Parliament's example and remain true to its own statements, in order not to jeopardize the credibility of the Community in its international relations. The Luxembourg Prime Minister, Mr Thorn, when he was President-in-Office of the Council, said at the World Trade Conference in Nairobi that the Commission would also help the non-associated countries. A cut by the Council in the funds being proposed by the Commission would certainly be seen as blatantly contradicting the positive declarations by which Council and Commission have committed themselves before world public opinion and in international bodies. It must be made clear to the Council, above all, that it cannot put forward two self-contradictory views, the one in international bodies and the other in Parliament and during its own decision-making procedure. This must be stated quite categorically - it is something that has happened time and again in the past. A cutback in development aid would ill become a Europe which has repeatedly declared its solidarity with the developing countries. Development policy is a fundamental question and help for the developing countries has become one of the main tasks of the Community and goes to determine its image in the eyes of the world at large.